BRIEFING

European Parliament

Towards unified representation for the euro area within the IMF

SUMMARY

Looking back on 20 years of the euro, it is widely acknowledged that it has proved successful as the common currency of the euro area, and that it has also developed into a vehicle for international trade, having become the second most widely used currency in the world.

However, this growing international role is not reflected in the external representation of the euro in international financial fora, notably the International Monetary Fund (IMF).

Over the years, various attempts have been made to change this. The latest of these attempts came in the wake of the Five Presidents' Report of 2015, which subsequently led to a Commission proposal for a Council decision on unified representation of the euro area in the IMF.

The proposal aims to secure representation of the euro area on the IMF's Executive Board through the creation of a single euro-area constituency, and by the Eurogroup in the remaining IMF bodies.

Member States have shown reluctance to give up the current form of representation on the IMF Executive Board in favour of a unified euro-area constituency.

Their objections are mainly geopolitical in nature. They tend to consider that their national interest is best served in the framework of the existing IMF governance structure.

Although the proposal has been on Council's table since 2015, there has been no visible progress to date, with the 2025 implementation deadline proposed by the Commission now called into question.

In this Briefing

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Author: Paul De Ryck

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Introduction

Although the common currency has been in existence for over 20 years, the euro area as such is generally not formally represented in international economic and financial forums. As a result it is not always clear who should be authorised to speak on its behalf, since several actors are involved in one way or another: the rotating Council presidency; the Eurogroup chair; the president of the European Central Bank (ECB); the Commissioner in charge of European economic governance; or the Commission vice-president in charge of the euro. Often, membership of international fora is limited to sovereign states only, i.e. no provisions have been made for membership of currency unions. A case in point is the International Monetary Fund (IMF), which, according to its Articles of Agreement (i.e. its statutes) accepts only sovereign states as members. Various means have been used to ensure at least some form of euro representation in these forums. For instance, the ECB's president is an observer on the IMF's International Monetary and Financial Committee (IMFC), and the ECB has observer status on the IMF Executive Board.

The idea of a single external representation of the euro has been on the political agenda ever since the euro was first introduced. As early as November 1998, shortly before the formal adoption of the euro, the Commission submitted a proposal towards this end, 'on the representation and position taking of the [European] Community at international level in the context of Economic and Monetary Union'. As a general principle, the proposal provided for the Community to be represented 'by the Council with the Commission, and by the European Central Bank (ECB)'. This somewhat intricate wording entailed differing representation of the Community depending on the international body concerned. In the G7, the European Community was to be represented by the Member State holding the presidency, provided the latter had adopted the euro, failing that, by the Member State next in line to hold the presidency; in the G10, it would be represented by the same plus the ECB; in the OECD, by the same, the Commission and the ECB; on the IMF Executive Board, by the same, with 'representatives of ECB and Commission to be able to attend meetings at which issues of relevance to EMU are discussed'; on the IMF Interim Committee, by the Member State as defined above, 'with the Commission and the ECB to be able to attend its meetings throughout'.

The Member States failed to reach agreement on this, so it was eventually withdrawn. Nonetheless the idea of single external representation of the euro continued to be raised every so often, notably on the occasion of the common currency's 10th anniversary. In its report The EMU@10: successes and challenges, the Commission argued the case for a single euro-area chair in relevant international bodies: 'The most effective way for the euro area to align its influence with its economic weight, is by developing common positions and by consolidating its representation, ultimately obtaining a single seat in the relevant international financial institutions and fora'. Also, 'consolidating the euro area's representation would strengthen its international negotiating power and reduce the cost of international coordination, both for the euro area, and for its key partners'.

The matter became topical again in 2015, with the Five Presidents' Report on the completion of the EMU. The report states that '... in the international financial institutions, the EU and the euro area are still not represented as one. This fragmented voice means the EU is punching below its political and economic weight as each euro-area Member State speaks individually. This is particularly true in the case of the IMF despite the efforts made to coordinate European positions'.

Following this, in October 2015 the Commission published a communication on a 'roadmap for moving towards a more consistent external representation of the euro area in international fora'. Simultaneously, the Commission issued a proposal for a Council decision on unified representation of the euro area in the IMF. The latter has been on the Council's negotiating table for nearly three years, without noticeable progress.

In his 2018 State of the Union address, Commission President Jean-Claude Juncker again voiced the need to address the international role of the euro, stating that Europe should do more to allow its single currency to play its full role on the international stage.

It should be noted that in its communication, the international fora within which the Commission sought to establish a more consistent external representation were the IMF; the G7; the G20; the Financial Stability Board (FSB); the Organisation for Economic Co-operation and Development (OECD); the World Bank; and the Asian Infrastructure Investment Bank (AIIB).

An extensive study on the external representation of the euro area, commissioned by the European Parliament, suggested adding several more, including the Basel Committee for Banking Supervision (BCBS); the International Organization of Securities Commissions (IOSCO); the International Accounting Standards Board (IASB); and the International Organisation of Pension Supervisors (IOPS).

The IMF is by far the most important of these, which is why the Commission proposal specifically concerns unified representation of the euro area within the IMF.

Representation of the euro area within the IMF

At the present juncture, the euro area as such is not formally represented in the IMF. Its presence is limited to observer status for the ECB president and for the European Commission on the Fund's International Monetary and Financial Committee (IMFC), and for the ECB itself on the Fund's all-important Executive Board, where day-to-day decisions are taken, including on the allocation of funds to states requesting IMF support.

IMF membership is strictly country-based (unlike the World Trade Organization (WTO), where the EU is a member in its own right). Only seven states – the US, China, Japan, Saudi-Arabia, the UK, France and Germany – have a chair of their own on the Executive Board, while the remaining countries have had to group themselves together into various constituencies in order to be represented through constituency chairs. New constituencies can be, and have been, created at times. Furthermore, individual countries have switched constituency over the course of time. Geographical proximity seems to have been a criterion for the creation of some of them, e.g. the two African constituencies, and the Latin American constituency, which is headed by Argentina. However, there is neither a European (i.e. EU), nor even a euro-area constituency within the IMF. Even with the creation of the Benelux constituency in 2012, 17 out of 19 euro-area Member States (i.e. excluding France and Germany with their own seats) are still scattered over six different constituencies, in which they are grouped together with non-EU countries (see Box 1).

The specific interests of individual euro-area Member States within the IMF governance framework, especially on its Executive Board, can differ considerably, as witnessed by the handling of the European sovereign debt crisis in 2010 to 2011, when several euro-area Member States were obliged to request IMF loans. Euro-area Member States, especially those in mixed constituencies, often feel that they have common interests with the non-EU countries with which they share a constituency.

For these reasons, it has proved difficult for euro-area Member States to reach common positions among themselves, notably on policy matters that are being decided upon by the Executive Board. The existing EU coordination mechanism is designed to coordinate Member States' positions at Union level but not at euro-area level.

This mechanism consists of the Economic and Financial Committee (EFC) under the ECOFIN Council and its permanent sub-committee on IMF (SCIMF) in Brussels; and the Member States' representatives at the IMF headquarters in Washington (EURIMF). Common positions are first agreed upon by the coordination bodies in Brussels, and then transmitted to EURIMF. The latter is a body composed of the European Executive Directors (plus their assistants, a Commission representative and an ECB representative) on the IMF Executive Board. Since 2007 these have selected a president from among themselves by consensus – independently from the rotating Council presidency. This president is tasked with presenting agreed Union/euro-area positions to the Executive Board.

However, as the Commission rightly observes, the primary role of the Executive Director is to represent his or her own constituency. Also, as noted in a study on the representation of developing countries in the IMF, 'among EURIMF members there is no ex-ante commitment to achieve a common position. This feature, compounded with the current constituency-based system, amplifies the incentives to underscore differences, rather than finding common ground'. Hence in practice 'there have been many examples where coordination on key IMF files has been suboptimal, or where Member States decided to support national positions rather than defend the common Union position'.

Box 1 – The six mixed constituencies including euro-area Member States

Constituency (*)	EU, euro area	EU, non-euro	non-EU
'Benelux'	Belgium, the Netherlands, Luxemburg, Cyprus	Romania, Bulgaria, Croatia	Armenia, Bosnia and Herzegovina, Georgia, Israel, North Macedonia, Moldova, Montenegro, Ukraine
'Spanish'	Spain		Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Venezuela
'Italian'	Italy, Greece, Malta, Portugal		Albania, San Marino
'Irish'	Ireland		Antigua and Barbuda, the Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Jamaica, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines
'Nordic'	Finland, Estonia, Latvia, Lithuania	Denmark, Sweden	Norway, Iceland
'Austrian'	Austria, Slovakia, Slovenia	Czech Republic, Hungary	Belarus, Kosovo, Turkey

(*) For convenience, several constituencies have here been named after their main euro-area Member State. This is not an official nomenclature.

Source: International Monetary Fund – fact sheet on IMF Executive Directors and Voting Power.

The Commission proposal

The objective of the Commission proposal is to achieve unified representation of the euro´-area Member States in all bodies of the IMF by 2025.

The legal basis for the proposal is Article 138 of the Treaty on the Functioning of the European Union (TFEU), which provides both for the establishment of common positions and for action to secure unified representation. This is a provision specific to Member States whose currency is the euro, and for which there is no EU-wide equivalent in the Treaties. This may explain why the proposal limits its scope to the euro area.

The Commission argues its case by referring to the sovereign debt crisis, during which several euro-area Member States – notably Greece (2010, 2012), Ireland (2010), Portugal (2011) and Cyprus (2013) – had to apply for IMF loans.

This crisis, in turn, spurred the EU to reinforce the legislative framework for economic governance of the euro area considerably, in particular through reinforced EU-level surveillance of Member States' economic and budgetary policies and the addition of the macroeconomic imbalance procedure (MIP). The strengthened governance framework has implications both for the IMF, which in the words of the Commission will 'need to go beyond a purely national perspective in the assessment of supervision and crisis management in the euro area', and for the EU itself, in particular for the euro area, which will 'have to speak with a strengthened international voice as an integral part of the ongoing efforts to improve the economic governance of the euro area'. For this reason, the need to reinforce the external representation of the euro area is explicitly linked by the Commission to its reinforced internal economic governance.

An additional argument put forward by the Commission is that the EU (euro area) has either exclusive competence or competence shared with its Member States on many areas covered by the IMF statutes. However, the question of European competence for IMF policy areas is a matter of some interinstitutional dispute, both within the ECB as well as with several Member States, as outlined below.

Furthermore, the Commission proposal is designed to enable a single euro-area message to be delivered 'on all IMF issues that are of relevance to the euro area', but without giving a specific list of issues that are deemed relevant vs those that are not. Such a list might be a matter of contention for several Member States.

As to the procedure, in order to achieve single euro-area representation in the long term, the Commission proposes a gradual approach whereby euro-area Member States would firstly regroup into fewer, euro-area-only constituencies, and then, in a second and final stage, into one single constituency – the euro-area constituency (EAC).

The Executive Director for this constituency would still be elected by the constituency members – i.e. the representatives of the euro-area Member States – but this would be upon a proposal from the Eurogroup president.

In the remaining governing bodies of the IMF – i.e. the Board of Governors and the International Monetary and Financial Committee (IMFC) – the euro area would be represented by the Eurogroup president. In this context it is important to note that the Commission has since suggested, in its 2017 communication on a European minister of economy and finance, that the Eurogroup should be chaired by a Commission member.

It should be noted that the proposal makes no mention (in article 3) of an ECB representative for the final arrangement, whereas under the current arrangement, governed by the IMF Articles of Agreement, the ECB has official observer status on the Executive Board. Under the transitional arrangements (article 6) the ECB is granted the possibility to 'attend meetings and intervene, as appropriate'.

This is at odds with the ECB's explicit demand that it 'be given a prominent role in the representation of the euro area in the IMF ... Therefore, this role must at least include the rights that the ECB, as the representative of the Eurosystem, currently has as an observer in the IMF'.

At the same time, the proposal to entrust representation of the euro area to the Eurogroup president raises the issue of the latter's status in the EU's institutional framework. Essentially, the Eurogroup remains a purely informal body, discussing matters of interest in relation to the euro area. The Treaties' Protocol No 14, which defines the rights and obligations of the Eurogroup, might therefore have to be revised. Until then, formal decision-making continues to rest with other Council formations, typically ECOFIN.

The Commission has limited its present proposal to the progressive establishment of unified representation of the euro area within the existing IMF Articles of Agreement. However, in article 2 of its proposal, the Commission states that this goal is to be achieved 'until the euro area will have obtained full membership of the IMF'. Clearly, this would mean amending the Articles of Agreement, and, more specifically, relaxing the rule according to which only states can be IMF members.

Creating a euro-area constituency – and hence a single chair on the IMF Executive Board – would also require euro-area Member States to muster the will to reach commonly agreed positions on all IMF policies, as well as on all country and surveillance issues of relevance to the euro area. To this end, as a temporary measure, the Commission proposes to create euro-area only versions of the two existing coordination bodies, i.e. SCIMF and EURIMF.

Subsequently, i.e. after the creation of the proposed euro-area constituency, prior coordination of 'all positions to be taken ... within IMF organs shall take place within the Council, the Eurogroup, the EFC and/or the Euro Working Group (EWG), as appropriate'. Apparently, the 'IMF organs' also include the Executive Board. Meanwhile, no mention is made of prior internal coordination among Member States' representatives within the envisaged euro-area constituency. As to the phrase 'as appropriate', it is not clear who is to decide on the division of labour between the relevant Council bodies.

European Central Bank opinion

In its opinion, the ECB – the only institution that has to be consulted in this legislative procedure – supports 'the objective of gradually strengthening the external representation of the euro area in the IMF with the ultimate goal of establishing one or several euro-area constituencies and ensuring that the euro area expresses a common position'.

At the same time, however, the ECB notes that 'fully unified representation of the euro area in the IMF would appear to necessitate an amendment to the IMF Articles of Agreement, in order to open membership to supranational organisations such as the Union/euro area. The ECB notes that such a reform is not envisaged under the proposed decision. Therefore, the unified representation of the euro area in the IMF is restricted to those policy areas that are transferred to the Union'. This will be seen as a major caveat. An example of a policy area for which competence has not been transferred to the EU is decision-making on IMF support to non-EU IMF Member States.

Furthermore, the ECB dwells extensively on the role of the Eurosystem – i.e. the ECB and the national central banks of euro-area Member States – in the IMF, and the need to preserve the ECB's independence when representing the euro within the IMF framework. The ECB is adamant that 'the objective of achieving unified representation of the euro area in the IMF can only be attained by fully respecting the impact of the independent exercise of the ECB's specific powers in the field of external representation'.

The ECB has issued similar warnings in the past, notably during the sovereign debt crisis. When it became clear that euro-area Member States would for the first time have to apply for IMF support, the ECB got alarmed, as it is not uncommon for the IMF to ask a country in distress to devalue its currency. The ECB made sure that no such devaluation requirement would be imposed on euro-area countries, as that would have infringed the ECB's independence. At the same time, it would also have entailed consequences for the remaining euro-area Member States that were not part of the IMF adjustment programme.

Parliament position

As early as 2003, in an own initiative resolution on the international role of the euro zone and the first assessment of the introduction of banknotes and coins, the European Parliament called for 'enhanced representation of the euro zone in international policy-making institutions, given the euro zone's importance in the world'.

More specifically, in its resolution, Parliament called 'for the designation of a single representative of the euro area ... in the person of a vice-president of the Commission, who would also need to be the Commissioner responsible for Economic and Monetary Affairs, entrusted with the power to act as euro-area representative', who would be called upon 'to speak and act on behalf of the euro zone countries ... in the G7 group of finance ministers, the IMF and the World Bank'.

In subsequent resolutions in 2006, 2008, and 2011 respectively, Parliament reiterated its demand for more consistent, possibly single representation of the euro area in the IMF.

As to the present Commission proposal, although Parliament is not formally involved, and has not even been consulted, it has nevertheless taken a stance on the specific aspect of democratic scrutiny of a potential single representation.

In its resolution of 17 December 2015 on completing Europe's economic and monetary union, Parliament limited itself to asking the Commission 'to ensure that the international representation of the euro area is subject to the democratic scrutiny of Parliament'.

In a subsequent resolution of 12 April 2016 on the EU's role in the framework of international financial, monetary and regulatory institutions and bodies, Parliament was more explicit, as it 'considers that the transparency and accountability of the Eurogroup could be improved'. This statement mirrors the general European Parliament position on the status of the Eurogroup, which remains a purely informal body. Formal decision-making continues to rest with the ECOFIN Council. According to the Commission communication, Parliament is to be kept fully informed about common statements delivered by the Eurogroup to the IMFC's spring and annual meetings. In the proposal itself (article 12), a duty to report regularly on euro-area matters in the IMF (and other international financial institutions) is entrusted to the European Commission. This is in line with existing Treaty provisions, according to which the Commission is accountable to Parliament, whereas Council is not.

In this context, it is useful to refer to the above-mentioned Commission communication on a European minister of economy and finance, who would be both a Commission member and Eurogroup chair. If this proposal were to be adopted alongside the present proposal for single euro-area representation, the Commission's role in the external representation of the euro in the IMF would be significantly expanded. It would acquire an even bigger role than that foreseen in its original proposal of November 1998. This would also meet Parliament's demand for accountability.

Member States' objections

The Commission proposal has met with strong reservations from several euro-area Member States, irrespective of how they are represented on the Executive Board (single chair or constituency chair).

Member States with single chairs

The first group of opponents is composed of Germany and France, both of which currently have a chair of their own on the IMF Executive Board and would be required to give it up in favour of the proposed single euro-area chair.

Germany is strongly opposed to the Commission proposal. Its main objection is legal in nature. Adoption of a common position on all policy matters that are being considered and voted upon by the IMF Executive Board would be at odds with existing EU law. Single/unified representation could only represent those policy matters that have been transferred explicitly to the EU. The EU only has competence for the coordination of fundamental aspects of economic governance. Other IMF policy matters are not covered by EU competences, in particular decisions on balance-of-payments support for third countries. In such matters, the EU cannot represent euro-area Member States in IMF bodies, nor can it oblige Member States to reach a common position. In this respect the German objection echoes the opinion of the ECB. As far as the content of common euro-area representation is concerned, Germany fears that diverging views among euro-area Member States within the proposed single constituency might lead to the adoption of very weak common positions, the added value of which would be limited.

France, meanwhile, fears that giving up its chair on the IMF Executive Board would set a precedent in other important international fora, in particular the UN Security Council on which it holds one of the five permanent seats. Another French concern relates to those of its overseas territories[1] – French Polynesia, New Caledonia, and Wallis and Futuna – that have not adopted the euro, but continue to use the CFP (*Change Franc Pacific*) franc;[2] being part of France, they are represented by the French seat on the Executive Board. If France were to relinquish its seat in favour of a single euro-area seat, then these territories would no longer be represented at all on the Executive Board.

Member States in mixed constituencies

A second group consists of several euro-area Member States, such as Belgium, the Netherlands, Ireland and Spain, that are currently included in mixed constituencies with non-EU countries, and would be required to leave these in favour of the proposed euro-area Member States-only constituency. Their objections to the proposal are often geopolitical in nature.

A number of euro-area Member States have privileged relations with non-EU IMF members, in particular with African and Central or South American countries, and cherish being in a mixed constituency with these. In a speech before the ECB in January 2009, Sean Hagan, former General Counsel and Director of the IMF Legal Department, therefore stated that 'there are limits to the degree to which EU members are able to forge common positions. These limits are perhaps most evident when discussions take place regarding surveillance of – or the provision of financial assistance to – countries outside the EU, where the differing geopolitical priorities of EU members may surface. For example, views differ among euro members as to the scope of the Fund's role in Africa'.

Belgium, for instance, voiced the concern – in pre-financial crisis years – that single representation of the euro at IMF through creation of the EAC, would 'trigger the creation of blocs (the US bloc, the EU bloc) within the international financial institutions (IFI) and would polarise the institution's governance by creating a duopoly of creditors. This would at the end of the day unbalance the representation of IFI members, and be damaging to debtor countries'. As it turned out in the subsequent European sovereign debt crisis the euro area was not simply a monolithic block of creditor countries.

A similar objection is Poland's fear that 'a single EU seat would prevent the EU from acting on its peripheries, and could leave a big vacuum between the EU and Russia'.

The argument in favour of uniting representation

As stated earlier, the main argument put forward in the Five Presidents' Report, is that at present the euro area is punching well below its political and economic weight in respect of non-EU countries and international financial institutions – such as the IMF, and the World Bank.

The key concern expressed by the five presidents is that the combined voting share of euro-area Member States is not reflected in the outcome of votes. This is also the conclusion arrived at in a study on EU representation on the IMF Executive Board, which finds that the weight of individual Member States' voting share is not borne out by the end result, and in particular 'consolidation of the representation of EU Member States is more than ever important, since presently all constituencies involving EU (euro area and non-euro area) Member States have a voting power well below their voting share', and furthermore, 'because of its "mixed constituency structure", the influence of EU (euro area and non-euro area) Member States on intra-constituency decision-making is heterogeneous, in some cases faint'.

These conclusions hinge on the fundamental distinction that is made between Member States' voting *share* within the sum total of votes on the IMF Executive Board, versus their actual voting *power*, i.e. the degree to which Member States are able to determine the outcome of votes through the various majority thresholds in use in the IMF Executive Board.

If euro-area Member States were to unite within a single constituency, the combined voting share of the latter would be markedly bigger than the voting share of the current biggest single chair on the Executive Board, i.e. the US chair. It is likely that the remaining chairs would then insist on a reduction of the voting share of the proposed euro-area constituency by way of an amendment to the Articles of Agreement, in return for their consent to unification. They might demand that the voting share of the future single euro-area chair be cut back to the voting share of the US chair. But even in this specific occurrence both the newly formed euro-area constituency (EAC), as well as the United States Constituency (USC) 'would have consistently higher voting power than their voting share, at all three majority thresholds'. Hence, the study concludes that from an EU perspective, 'it would definitely be in the interest of EU Member States to consolidate their representation at the Executive Board, since even the EU EAC alone would find itself in the same position as presently the USA, and could block major IMF decisions at an 85 % majority threshold'. This view is at odds with the view held by many euro-area Member States, notably those in mixed constituencies. They remain unconvinced by the voting power vs voting share argument, especially if merging their representation through the proposed EAC would involve a reduction in their individual voting share, as outlined above. They tend to think that their current status allows them, on the contrary, to punch *above* their individual weight. When confronted with the choice between a common euro-area position, which might be difficult to achieve among euro-area Member States, and a common position within their respective mixed constituencies, many Member States are inclined to think that the latter gives them more opportunities to have their national interest reflected in the outcome of the vote.

Representation by the Eurogroup?

Many Member States have reservations concerning the proposed role of the Eurogroup as representative of the euro area in the IMF's governing bodies. In part, these reflect the European Parliament's position on the Eurogroup, in particular Parliament's objections to its perceived lack of democratic accountability. Similar objections have been voiced by Member States' parliaments.

The House of Lords, following a hearing on the Five Presidents' Report summarises its findings as follows:

'However, what looks like a worthwhile administrative reform may be at odds with the desire to enhance democratic accountability, if it takes decision-making away from decision-makers at the national level. The challenge will be to establish appropriate and accountable Eurozone-level decision-making structures'.

This seems to be an accurate description of the current situation in the Eurogroup, the decision-making process of which is based on consensus. In practice, this gives each Member State a de-facto veto right.

A similar concern has been voiced in academic circles. A study by the Royal Institute of International Affairs, points out that, if the Eurogroup is designated as the euro-area single representative in the IMF, it will be faced with 'a difficult balancing act – that is, between the interests of the euro area as a whole and those of Member States. The euro's external representation and governance need to fit within a framework where Member States pursue their own goals without conflicting with EMU's overall interests. Eventually, however, some way must be found around the de-facto veto currently available to all EMU members'. One possibility, suggested to this end, 'might be to introduce weighted majority voting in the Eurogroup, with appropriate safeguards for smaller states'.

Thus, unified representation of their interests by the Eurogroup poses Member States with a conundrum: in the first scenario outlined above – i.e. maintaining the current consensus-based decision-making with its accompanying de-facto veto right – many Member States feel that this will perpetuate the shortcomings of the present euro-area coordination arrangements, namely that a consensus is usually reached on very weak or general common positions only, extending this to all policy files being decided upon by the IMF Executive Board. At the same time, the alternative decision-making route that Member States have at their disposal through their being a member of a mixed constituency would no longer be available.

In the second scenario outlined above – i.e. decision-making within the Eurogroup based on majority-voting, possibly with some safeguards for smaller Member States – many Member States fear being outvoted on individual files that might entail a specific national interest, in particular those concerning IMF support for non-EU countries.

Outlook

At the time of writing, it has been over three years since the proposal was submitted to Council. Formally speaking it has been under consideration there in the relevant working party.

Since then no news has been forthcoming about progress made. This does not bode well for the proposal's future. The deadline of mid-2019 for approval of the proposed Council Decision, as envisaged in the Commission's prospective roadmap, and 2025 for the regrouping of euro area Member States into a single constituency, now look difficult to achieve.

The Commission proposal faces three limitations. First, it rests on the willingness of euro-area Member States to unite their IMF representation on the Executive Board by means of a single euro-area constituency. However, for many Member States, the incentive to do so is limited, since they feel that their current form of representation, either through mixed constituencies, or by having a chair of their own, gives them more opportunities to defend their own, specific interests.

Second, as to the representation of common euro-area positions through a common representative in the IMF's remaining bodies – the Board of Governors and the IMFC respectively – the mandate of such a representative would be greatly limited by legal constraints, in particular the limited number of IMF policy matters for which competence has been transferred to the European Union.

Third, the proposed single representative in the IMF's main three bodies is either the Eurogroup (for the IMFC and the Board of Governors), or a person to be appointed upon a proposal of the Eurogroup (for the IMF Executive Board). This raises the issue of the informal status of the Eurogroup, its internal decision-making process and its democratic accountability.

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ENDNOTES

1 The French overseas territories, nowadays referred to as the DROM (*départements et régions d'outre-mer*) and the COM (*collectivités d'outre-mer*), in the Atlantic Ocean (Guadeloupe, Martinique, Saint-Martin, Saint-Barthélemy, Saint-Pierre-et-Miquelon) and the Indian Ocean (Réunion, Mayotte, and TAAF i.e. the French Southern and Antarctic Lands plus Clipperton) have adopted the euro. Territories in the Pacific Ocean (French Polynesia, New Caledonia, and Wallis and Futuna) continue to use the CFP franc.

2 The CFP franc (Change Franc Pacifique (ISO currency code XPF)) was created as a result of the 1945 Bretton Woods Agreement, which led to the French franc being pegged to the US dollar, albeit after a considerable devaluation. In order to spare its colonies the effects of the devaluation, France created the Change Franc Afrique (CFA) franc and the Change Franc Pacifique (CFP) franc. Both are now pegged to the euro.

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