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국제학석사학위논문

From adamant Eurosceptics to Europhiles:

Impact of the Euro on European Identity of 3 Baltic States

완강한 유럽회의론자에서 유럽옹호론자로:

유로 도입이 발트 3국의 유럽정체성에 미친 영향

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Abstract

The studies regarding the euro have paid its attention to primarily economic aspects but some researchers have examined its relationship with the identity. Since its introduction in 2002, the single currency has been not merely the currency of the EU but most importantly, as Risse mentioned, it has also played its role as the most important identity markers in people's daily lives (Risse, 2002) and engendered the entitativity or realness of the EU. So, the euro-area has been acknowledged as 'more Europe' or full-fledged member state, which implies that their European identity would be enforced due to the use of single currency at least more than non-euro members.

However, according to Flash Eurobarometer from 2002 to 2016, largely 70~80% of people of euro-area has answered that the euro has nothing to do with their feeling of being European, which shockingly contradicts the previous researches and the intentions of European elite behind creating the single currency. Then, is the relationship of the euro and European identity merely theoretical or rhetorical?

Examining the case of 3 Baltic states through their transition of answers to Eurobarometer, this paper concludes that the euro can affect one's European identity only to the extent of the civic identity emanated from the satisfaction of their demands to the currency. Estonia, Latvia and Lithuania who adopted the euro even after the Eurozone crisis in 2010, had strong motivation and clear demands from the introduction of single currency which was enough to overcome grim prospects of the Eurozone at the moment. Fulfilling their hopes, the euro has significantly affected European civic identity of 3 Baltic states, who were adamant Eurosceptics in early 2000s.

Keywords: Euro; European identity; Civic identity; Baltic states; Euroscepticism

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List of Abbreviations

CEECs: Central and Eastern European Countries

CIS: Commonwealth of Independent States

CY: Cyprus

EA: Euro-area

ECB: European Central Bank

EE: Estonia

EU: European Union

LT: Lithuania

LV: Latvia

MT: Malta

NATO: North Atlantic Treaty Organization

SK: Slovakia

SL: Slovenia

USSR: Union of Soviet Socialist Republics

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국문초록

I. Introduction

The studies regarding the euro have primarily paid its attention to economic aspects not least by virtue of recent crumbling Euro-area starting from Greek debt crisis¹. Consecutive sovereign debt crisis proliferated in the Eurozone leaves no room for a discussion of promising side of the euro or its aimed goals in consolidating EU citizens. As much as the main goal of this single currency is to boost the economic growth of member states, the euro has been mainly assessed by its effect. Also, its utility or necessity has been frequently questioned whenever the hint of recession came out. Hence, the sociological side and effect of the euro have not received enough attention that it deserves. Previous studies on the currency and identity has started from the national currency and national identity (Helleiner, 1998), arguing that using the national currency reinforces the national identity. After the creation of the EU and the euro, some scholars (Kaelberer, 2004; Risse, 2002) have argued the same effect for the euro, a common currency, on the European identity, a common identity. However, those studies on the

¹ Arghyrou, M. (2012). The EMU sovereign-debt crisis: Fundamentals, expectations and contagion. *Journal of International Financial Markets, Institutions and Money*, 22(4), 658; Featherstone, K. (2011). The JCMS annual lecture: The Greek sovereign debt crisis and EMU: A failing state in a skewed regime. *Journal of Common Market Studies.*, 49(2), 193; Mink, M. (2013). Contagion during the Greek sovereign debt crisis. *Journal of International Money and Finance.*, 34, 102; Overbeek, H. (2012). Sovereign debt crisis in Euroland: Root causes and implications for European integration. *The International Spectator : A Quarterly Journal of the Istituto Affari Internazionali.*, 47(1), 30.

euro and European identity in the early 2000s were mostly focused on the ‘political’ identity at the national level expressed by different political attitudes to the introduction of the euro and identity of individual level was based on theoretical assumption. Considering the timeframe of such researches, the public’s feelings for increased European identity by using the euro was obviously too early to be examined. Now after more than 10 years of its introduction, the empirical studies on such sociological effect of the euro on European identity can be properly examined.

So in this paper, I would like to examine the impact of the euro on European identity by looking at the case of 3 Baltic States—Estonia, Lithuania and Latvia—who have adopted the euro after 2010, amidst of European debt crisis. Not only their surprising adoption of the euro during the crisis, but their drastic identity transition from as what Weßels (Weßels, 2007) defined, adamant Eurosceptics in 2004 to Europhiles is noteworthy phenomenon in the current EU where the Euroscepticism has keep proliferated in the wake of Brexit and refugee crisis. If the successful adoption of the euro had strong impact in changing Balts’ exclusive national identity into European identity, then could the euro be the answer to Euroscepticism? What is the European identity? In what ways can the euro affect European identity of the citizens? Answering these questions, this study is aimed to propose that the euro can have positive impact on European identity to the extent of their European civic identity which has to do with their identification with the European Union as a relevant institutional framework in their life, which defines some of their rights, obligations, and liberties (Bruter, 2004a).

In next chapter, previous literatures on the relationship between the euro and European

identity and their limitations will be discussed. Also, two components of European identity by Bruter (Bruter, 2003), which is the key framework in the understanding of the euro and European identity, will be followed. In chapter 3, the backdrop of 3 Baltic states in terms of the euro introduction—their European identity, economic and political expectations from the euro—will be discussed. In chapter 4, Eurobarometer figures showing the improvement of European civic identity of 3 Baltic states will be presented. Also, economic and political resources explaining such identity transition will be followed. Finally, in chapter 5, the conclusion and limitations of this study will be discussed.

II. Literature Reviews

2.1 National currency and national identity

Ingham's study (Ingham, 1996) on money and social relations suggests the fundamental and crucial starting point of further discussion. Opposed to orthodox "real" economic analysis, which perceives money as a medium of exchange and measure of value/unit of account, he has argued that money is itself a social relation in the sense that it cannot be adequately conceptualized other than as the emergent property of a configuration (or "structure") of social relations. Following the historical development of the meaning and role of the money from barter to credit which indicates the detachment of money from real commodity and its evolvement into person to person debt relations, he points out that money itself is a social relation. It gives important idea to our discussion of money

and identity in the sense that money is constituted by social relations. Taking off the shackles of its classic definition as a medium of transaction and embracing it as social relations, we are able to consider its impact on society at last.

Taking this topic into more sociological level, Helleiner (Helleiner, 1998) suggests five distinct ways that national currencies might foster national identities; First, nationalist imagery emblazoned on the currency, which reflects nationalist ideas and identities. Second, national currencies work as a language facilitating communication between the members. Third, the feeling of sharing the fate bolstered by collective monetary experiences. Fourth, a sense of popular sovereignty through its ability to serve the wishes of the people. And, finally, quasi-religious faith that is associated with nationalism. His study shed a light on the currency as an important factor in the study of nationalism and social science. Based on Helleiner's study, there are previous researches regarding the relationship between the euro and European identity.

2.2 The Euro and European identity

Risse (Risse, 2002) argues that social identities not only describe who we are as members of a community, they also connote the boundaries of a group, who is "in" and who is "out." But neither Europe in general nor the EU in particular have clear boundaries (compare "Euroland" with "Schengenland" and with the EU) and the Eastern enlargement will not make things easier (Risse, 2002). Noting such fuzzy boundaries of the EU, the euro could engender some boundedness among the Eurozone members and instigate the feeling of commonality. He argues that identification with the EU which is

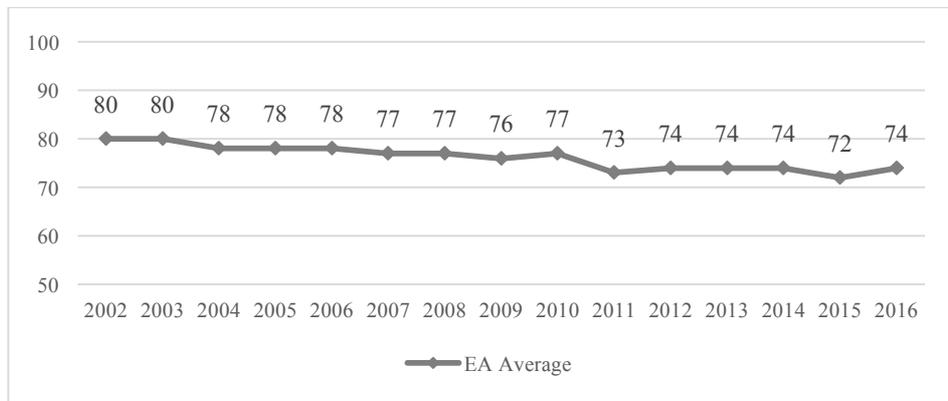
the elite-driven project suffers from the lack of 'entitativity' i.e. the 'realness' in people's daily lives. An imagined community becomes real in people's lives when they increasingly share cultural values, a perceived common fate, increased salience, and boundedness (Risse, 2002). Hence, the euro could act as a tool to give realness of the union to the people as well as increasing their consciousness in sharing common fate with other Europeans using the same currency. This line of thoughts follows Helleiner's third point, the feeling of sharing the fate bolstered by collective monetary experiences. In sum, Risse underlines the role of the euro as narrowing the gap between EU citizens and the EU by increasing the entitativity of the EU, which entails boundedness and sharing common fate within the Euroland.

Taking this perspective to the next level, Kaelberer (Kaelberer, 2004) argues the reciprocal relationship between the euro and European identity. The imagery on the euro banknotes attempts to establish links to a common European tradition. It refers back to the classical ancestry of Europe and deliberately constructs a common European historical memory (Kaelberer, 2004). It is again based on Helleiner's first point but he expands it to the case of the euro, common historical imagery emblazoned on the common currency. He also agrees with Risse's point in that the euro makes European identity more tangible and provides a concrete European symbol that engraves another element of 'Europeanness' into the daily lives of individuals (Kaelberer, 2004). However, since the money and identity is in a reciprocal relationship, he also emphasizes that certain European identity is needed for proper functioning of the euro. According to Kaelberer (Kaelberer, 2004), Europeans do not have to love the euro, they merely have

to believe that there are advantages to using it and that its institutional foundations are credible. Since the trust is now generated through institutions than affective ties, he argues that such trust in the currency and monetary institution constitutes the crucial foundation needed for the euro.

To sum up, the common argument by two scholars was that the euro is effective in increasing the European identity just as national currency does. However, according to Eurobarometer from 2002 to 2016, which is the timeframe ever since the euro introduction to the latest, we can see complete opposite results of the public opinion to previous studies as shown in Figure 1.

Figure 1. Do you personally feel more European by using the euro? (% of Nothing changed)



Source: EOS Gallup Europe, Flash EB 139, 153, 165, 175, 193, 216, 251, 279, 306 (2002~2010).

European Commission, Flash Eurobarometer 335, 362, 386, 405, 429, 446 (2011a~2016a).

Ever since the introduction of the euro in 2002, almost 80% of people has felt their feeling of being European has not increased because of the euro. Not only the Euro-area

average but also each member states has shown relatively the same rates with a little margin between them. For example, in 2002, the highest rate was Germany, 89% while the lowest was Italy, 66% (EOS Gallup Europe, 2002). In 2011, the highest rate was Netherlands, 80% and the lowest was Malta, 57% (European Commission, 2011). Despite the slight fall since 2011, this result shows that majority of people in every country of Euro-area has not felt any difference in their feeling of being European by using the euro. This consistent longitudinal results completely contradict previous researches' argument that using the euro would be effective in increasing the European identity i.e., Europeans feel more European than before when they were using their national currency. Then is the use of euro irrelevant with European identity?

My research interest in this topic has started from these inconsistent results of Eurobarometer compared to previous theoretical arguments. Then in what circumstances do they feel European? How is the euro and European identity actually related? Is the European identity dependent upon cost-benefit calculation of its citizens? Based on Bruter's classification of European identity into cultural and civic identity, this paper is aimed to propose the framework needed to explain the relationship between the euro and European identity and present empirical results of 3 Baltic states to substantiate the effect of the euro, which fills up the shortcomings of previous literatures.

2.3 Two components of European identity

First of all, we need to separate European identity into two components which are cultural identity and civic identity for sake of precise understanding. In Bruter's (Bruter, 2003) model of the measurement of European identity, he combined three different theories defining what nations are used by political scientists since the 18th century—Citizenship, a common culture and common desire to live together—and proposed two separate components of political identities, civic and cultural. He then argues that two components of political identities are parallel in citizen's minds and should simply differentiated conceptually and empirically whenever possible (Bruter, 2003). Regarding the reason why we should distinguish European cultural and civic identity, Bottici argued that the attempt to reduce the European political identity to its alleged cultural roots, be they Greek, modern, or Christian, could never do full justice to the vast array of sources potentially upholding the sense of belonging to such a complex polity as the EU (Bottici, 2013). Considering the enlargement of the EU to the Central and Eastern European Countries (CEECs) and candidate countries, defining European identity as a merely cultural identity certainly omits significant amount of the part of EU. It risks excluding all those who, to use a felicitous expression, are "in, but not of Europe", that is, those who are part of the current political body that goes under the name of the EU because they have citizenship in one of its member states but cannot recognize themselves in past European experiences such as Christendom, Greek philosophy, or the Enlightenment (Bottici, 2013). So Bottici argues that the best remedy against the pitfalls of the culturalist and historicist fallacies is to keep the two categories, cultural and political

identity, separate.

Table 1. Two Components of European Identity

		Image held by the EU citizens	Source of feeling of belonging
European Identity	Cultural Identity	Peace, harmony, the fading of historical divisions and co-operation	Certain culture, social similarities, ethics or even ethnicity
	Civic Identity	Borderlessness, circulation of citizens, common civic area, new policy making and prosperity	Institutions, rights, and rules that preside over the political life of a community

Source: Author, based on Bruter's research (Bruter 2003; 2004b)

Then how is the European cultural and civic identity different? Above table summarizes Bruter's classification of two different identities. According to his definition, the difference between two identities comes from both the source of feeling of sense of belonging and the images held by the EU citizens. Bruter defined that the images of Europe held by 'civic' identifiers had to do with borderlessness, circulation of citizens, common civic area, new policy making, and prosperity whereas that of 'cultural' identifiers had to do with peace, harmony, the fading of historical divisions and co-operation between similar people and cultures (Bruter, 2004b). The images of European cultural and civic identity are significantly diverged in a way that former has to do with symbolic, ideal elements of Europe nurtured before the creation of political community but the latter, it is mostly derivative from the EU. Most importantly, the two identities

have different sources of feelings of belonging. In culturalist perspective, the political identity can be defined by certain culture, social similarities, ethics or even ethnicity. On the other hand, a civic perspective of political identity is to identify citizens with a political structure, the state, which can be summarized as the set of institutions, rights, and rules that preside over the political life of a community. In other words, civic identity of citizens has to do with their identification with the European Union as a relevant institutional framework in their life, which defines some of their rights, obligations, and liberties (Bruter, 2004a).

Understanding such two components of political identities are crucial in our further discussion. It will be discussed later but the euro, introduced only in 2002, clearly has its limitations on affecting culturalist perspective of European identity. Therefore, depending on what symbols of the EU that we choose to examine, the part of European identity that could be affected by them is different. Considering far different character between two parts, it is essential to accurately distinguish two identities for proper understanding of European identity and ultimately for examining the effect of the euro on it.

Coming back to the Figure 1, '*Do you feel more European?*' is inaccurate question to find the correlation between the euro and European identity. Bruter (Bruter, 2003) said when two individuals claim to "feel European," they might mean totally different things in terms of both the intensity of the feeling they describe and the imagined political community they refer to. On top of ambiguity of the word itself, the question is more

likely to be construed as asking one's cultural European identity than civic identity as a citizen of the EU. According to Eurobarometer 2015, top 3 factors which do most to create a feeling of community were culture (28%), history (24%) and sports (22%) (European Commission, 2015b). From this result, we can find that perceived source of feeling of community i.e. solidarity or commonality among the EU citizens mostly comes from cultural components not economic or institutional. Hence, Eurobarometer respondents were likely to understand the question as asking their cultural identity as a European which are far from what the euro could have its impact on. Kaelberer (Kaelberer, 2004) argued that the EU is certainly not a natural or organic association so it lacks the immediacy of kinship ties. Hence, the euro introduced in 2002 has its limitation on affecting cultural identity or feeling of European, which are mostly based on European culture, history or religion. In summary, since the feeling of being European and being EU citizen are different, the above Eurobarometer question is inaccurate and inappropriate to find the relationship between the euro and European identity.

Lack of precise understanding on two components of European identity engendered such negative answers for many years which utterly contradicts previous studies. Also, previous literatures omitted empirical findings of the actual feelings of people of the Eurozone and relied upon identity politics at the national level are insufficient to investigate an actual effect of the euro on European identity.

2.4 Formation of European Civic Identity

The word 'a citizen of the EU' has been introduced after the Maastricht Treaty of 1991.

Maastricht (also sometimes called the Treaty of the European Union or 'TEU') introduced "European citizenship" into Community Law, where all citizens of the EU were given the right to move about and live in any member state, the right to vote and be elected in municipal elections in their country of residence if they live outside their own country, and full diplomatic protection from any other member state (Kesselman, 2002). The foremost purpose of the institutionalisation of this new legal status was to strengthen and enhance the European identity and enable European citizens to participate in the Community integration process in a more intense way (EOS Gallup Europe, 2008a). This purpose implies that the citizenship of the EU would increase the European civic identity of the people in the EU which can be resulted in the increased support of the EU and resolve the democratic deficit issues arising from the increase leverages of the EU into the citizen's life.

Increased exposure of one's interest to the EU decision

Then how can one come to realize him or herself as a citizen of the EU or in other words gain European civic identity? Frunzaru & Corbu (Frunzaru & Corbu, 2011) defined that the sense of being European must be perceived mostly by those on whom the impact factor is higher and who are more conscious of the (present of future) benefits they (or their country) might have as a result of being part of a transnational state. This argument combines the 'impact factor' by Habermas² and utilitarian or cost-benefit

² Habermas, J. (2011, November 10). Europe's post-democratic era. *The guardian*. Retrieved from

approach to the support of the EU engenders important two pillars for the understanding of the factors of the European civic identity—The degree of an awareness of his or her exposure to the EU and economic benefit from the EU.

First of all, Habermas is well known for his idea of a ‘constitutional patriotism’, according to which citizens should not identify with a cultural or ethnic identity but rather with constitutional principles that guarantees their rights and duties (Habermas, 2001). He has also introduced the idea of ‘impact factor’; The more the national populations realise, and the media help them to realise, how deeply the decisions of the European Union pervade their everyday lives, the more interested they will become in making use of their democratic rights as citizens of the union³. It is in alignment with the arguments by Risse (Risse, 2002) that the entitativity or realness of the EU is of the importance in constructing one’s European identity. He mentioned that since the EU is an elite-driven project so identification with and support for Europe and its institutions is highest among political and social elites (Risse, 2002). To make the people identify themselves as a citizen of the EU, the EU should not be remained as a far-fetched political project which causes no response from the people or more precisely, of which people just do not care. It should be not only directly linked to its people’s lives but also based on the attention and compliance by them. Bruter also mentioned that the civic identity of citizens has to do with their identification with the European Union as a

<https://www.theguardian.com/commentisfree/2011/nov/10/jurgen-habermas-europe-post-democratic>

³ Habermas, J. (2011, November 10). Europe's post-democratic era. *The guardian*. Retrieved from <https://www.theguardian.com/commentisfree/2011/nov/10/jurgen-habermas-europe-post-democratic>

relevant institutional framework in their life, which defines some of their rights, obligations, and liberties (Bruter, 2004a). Thus, the first important factor of the European civic identity is how much people feel the leverages of the EU into their life i.e. the degree of exposure of their lives to the decision of the EU.

Utilitarian approach

Once they realize how much their daily lives hinges upon the decision of the EU, their identification with it is contingent upon personal utilitarian or calculative approach, which is the second factor of European civic identity. Economic costs and benefits have most often been mentioned as possible candidates for explaining the differences in support for European integration across countries and among different individuals (Anderson & Reichert, 1995). Anderson found that that individuals who would benefit indirectly from integration, such as the highly educated and wealthy, are generally more supportive of a country's membership in the EU. Garry found that living in a member state that receives relatively high levels of EU funding acts as a 'buffer', diluting the impact of an exclusive national identity on Euroscepticism (Garry, 2009). Hence, the net recipients from the EU is more likely to have European civic identity, which is the opposite to an exclusive national identity, than the net contributors to the EU budget. From these two researches, we can see the support for the EU comes from the public's personal context, their own cost-benefit calculation on the EU decisions. So it is clear that the interest of civic identifiers rests on material-based benefit from the EU. If they feel that being a citizen of the EU is beneficial in any way, then feeling of attachment or

identification with it would naturally increase and vice versa.

Then how would the euro have its impact on increasing one's European civic identity? It is directly linked to our two important pillars of European civic identity; Increased exposure to EU decision and utilitarian approach.

First of all, by using the euro instead of a national currency, the impact of the decision of the EU and ECB (European Central Bank) on both macro and micro-economy of the members of the Eurozone substantially increases. Not only ECB becomes the sole issuer of the banknotes and bank reserves, it also decides the monetary policy of the Eurozone to keep the price stability. Hence, adopting the euro indicates yielding the monetary sovereignty to the EU and increased exposure of one's economy to other Eurozone countries at the same time. Then in what way does the people of the Eurozone realize the leverages of the EU into their daily lives? We can narrow it down to 3 categories; through (1) the power of the symbol, (2) travelling abroad and (3) entitativity.

1) The power of the symbol

The euro is one of the symbol of the European integration and the EU. Risse (Risse, 2003) argues that the euro has already become a symbol which citizens identify with the EU. According to Eurobarometer 2002, the euro was the second most selected item to the question 'what does the EU mean to you personally?' which he assessed as the closest the Eurobarometer got to directly measuring the salience and 'realness' (entitativity) of the EU in people's lives (Risse, 2003). In the Eurobarometer 2016, the euro is still the

second most mentioned item to the same question following ‘freedom to travel, study and work anywhere in the EU’ (European Commission, 2016c). Ever since the introduction of the Euro, it has been entrenched in the people’s minds as a symbol of the EU. With regards to the relationship between the symbol and European identity, Bruter (Bruter, 2004b) found that the symbols suggest the formation of subjective images and connotations by citizens who associate them with values of peace, harmony, co-operation and other elements that represented the first philosophical ‘line’ of the European project in the first half of the century. Hence, it proves that the people more or less perceives the connotation of the symbol of the EU and it affects their image with it. We can find the meaning of the euro in the speech by Christian Noyer, the former Vice president of the ECB in 23 June 1999.

“The euro is truly an accelerator of economic growth, as the use of the same currency in the Euro-area will increase cross-border competition and market integration, thereby enlarging economic prosperity for European citizens that will spillover to other European and non-European countries as well. It is my conviction that EMU could be a catalyst for economic progress in Europe, and could fundamentally re-shape the contours of the world economic order in the 21st century⁴”

Both the intention and expectation inculcated in the euro indicates the prosperity and

⁴ Noyer, C. (1999, June 23). *The euro: Accelerator of Economic Growth in Europe*. Speech presented at Lunch-meeting of Cercle d'Union Interalliée, Paris. Retrieved from https://www.ecb.europa.eu/press/key/date/1999/html/sp990623_1.en.html

economic growth of Europe by having single and strong currency. Such purpose of the euro made by the elites was well received by the public as well. In Flash Eurobarometer 2002, 67% of the public of the Euro-area thought that the euro will soon become an international currency like the dollar (EOS Gallup Europe, 2002). In only a year after the introduction of the notes and coins, it is noteworthy that the people had the confidence in the euro's status in the international market to the extent of being comparable enough to the dollar. So, we can find Bruter's argument in the euro as well; People of the Eurozone perceives the euro as a symbol of the EU and form their own subjective images or expectations such as economic growth and prosperity, which are the main elements of the civic ideas of the EU as Bruter mentioned. By using the currency on daily bases, people are unconsciously exposed to such images of the euro moreover the idea that they are a citizen of the EU where their personal and national economic gain would be increased.

2) Travelling abroad

Secondly, such feeling would be more enforced when they were travelling other Eurozone countries. Bruter (Bruter, 2004a) argued that travelling abroad regularly makes them—logically—more likely to perceive the concrete significance of a “People's Europe” whose citizens can travel without border control (within the Schengen area), and therefore increases their civic identity. In case of the euro, we can find that people mostly find the advantages of the euro when they travel abroad. In 2006, ‘Travel abroad less costly, easier to travel’ was the most mentioned item for the advantages of the euro

(46%) while the ‘Improve growth, employment’ was at the bottom (5%) (EOS Gallup Europe, 2006). This result implies that the positive assessment with using the euro has to do with a personal experience, from which they can feel the convenience of the common currency. So, we can assume that using the euro in other countries can contribute in building one’s civic identity through whether they feel the convenience or closeness to other Eurozone countries. The experience would let the people enlarge the scope of ‘us’ in terms of using the same currency and enforce the feeling of distance from ‘them’ while visiting non-euro countries.

3) *Entitativity*

Last but not least, the euro is the most easily accessible route of feeling entitativity of the EU. “Entitativity” refers to the reification of a community resulting from increasingly shared cultural values, a perceived common fate, increased salience, and boundedness, which then lead to collective identification (Risse, 2004). As mentioned in the previous chapter, the euro as identity marker (Risse, 2002) penetrates people’s lives and closes the gap between the EU and the public. Hence, it is one of the means that make the public feel they are the citizen of the EU, whose life is greatly affected by it ranging from small purchases to European economic crisis. Taken together, we can conclude that the euro definitely increases the people’s awareness of the leverages of the EU into their lives, which is one of the pillar of consisting European civic identity.

Finally, the second pillar of the civic identity, utilitarian approach, is not least related

to the euro. As the main expectation or demand of the public from the adoption of the euro is economic growth or being well-off, people in the Eurozone are very likely to assess the economic situation of the EU and its leverage into their national economy or personal life. Braun and Tausendpfund (Braun & Tausendpfund, 2014) investigated the impact of the euro crisis on citizen's support for the EU. They have found that negative evaluation of the crisis affects EU support negatively and individual evaluation of the euro crisis played a major role for the explanation of the EU support. Obviously, they fear more personal costs due to the crisis and therefore withdraw their support for the EU. This result again proves that once the public realized the leverages of the EU into their personal lives, they become utilitarian. On the contrary, if the economy is booming due to the euro or after the euro adoption, people would think that the euro is good for their country and moreover, the EU is beneficial. Such positive assessment of the EU would lead to the identification with it through a sense of belonging or pride.

To sum up, using the euro could fortify the civic aspect of European identity especially when the euro meets its demands from the public. However, this relationship is only conditional. While a successful euro may forge greater levels of European identity, a badly managed euro would produce exactly the opposite effect (Kaelberer, 2004). As the euro is not natural just as any other symbols or institutions of the EU, it has always on the edge of the public's cost-benefit evaluation. Nevertheless, it is the most easily accessible and representative symbol of the EU which penetrates the citizen's life deeply yet in sensitive ways to be enough to be concerned by them.

III. Backdrop of the Euro adoption in 3 Baltic states

3.1 Adamant Eurosceptics

The reasons that I would like to focus on 3 Baltic states are unambiguous. First, they have had by far the most significant improvement in terms of European civic identity among the new member states and second, it has happened during the transition to the adoption of the euro in the early 2010s. Thus, I assumed it would be appropriate case to examine the effect of the euro on reinforcing European identity, which turned the ‘adamant Eurosceptics’ into the momentum of the troubled Eurozone and ‘Europhiles’.

Incorporated into the Soviet Union for 50 years, 3 Baltic states had been exposed to different geopolitical, social circumstances than the ‘Western’ Europe. Christianity, democracy and social market economy became the three pillars on which to base a collective European identity (Marcussen, Risse, Engelmann-Martin, Knopf, & Roscher, 1999) and the Baltic had missed at least one pillar of the identity under the Soviet rule. The West’s public perception of the Baltic was also not very impressive; according to the Eurobarometer in 2003, the awareness of the Baltic states as candidates of the EU was lesser than that of Poland, Hungary and Czech Republic among the EU citizens (EOS Gallup Europe, 2003a). It showed the West’s feelings of distance from the Baltic states compared to other major CEECs.

However, for 3 Baltic states, joining the EU was not merely a political move. To quote Hülse’s taxonomy of the metaphor in the enlargement of the EU, the Baltic states’ return to Europe were a homecoming for them (Hülse, 2006). Hülse said that the

homecoming metaphor implies that the applicant countries are anthropomorphized as persons who for some time have gone away from home and now want to return to their home, the place of origin, the Europe (Hülsse, 2006). Notwithstanding the different history in the past years, the idea of going back to their home, the Europe was clear at least in the political elite's minds. After regaining their independence, the Baltic States have been constructing their political identities in terms of the East/West opposition (Miniotaite, 2003). According to Rindzeviciute (Rindzeviciute, 2003), in case of Lithuania, politicians rendered Lithuania as a nation robbed of her "traditional" democratic values, such as tolerance and civic responsibility. Democratic systems, individualism, tolerance to cultural and religious diversity, as well as the spirit of co-operation were introduced into a public consciousness as the categories of national resistance to Soviet order. Hence going to democratic Western Europe was equal to going back to "national roots" (Rindzeviciute, 2003). It was not an exaggerated victimization of the Lithuania as the policies during the Sovietization since 1940 were designed to undermine Baltic cultures, which were 'deliberately and systematically debased' (Lane, 1994). Contrary to the West' awkwardness with the Baltic states, they have always considered themselves as a part of the Europe, which sadly been expunged her inborn Europeanness for a few decades.

In the public sphere, however, the mass attitudes towards the EU were not favorable at all in the beginning. According to Ehin's net image score (positive image minus negative image) of the EU in the Baltic states (Ehin, 2001), between 1991 and 1996, the score deteriorated by 23 percentage points in Estonia, 30 points in Latvia and 33 points in

Lithuania. But such negative trend was reversed with the EU's 1997 decision formally to open accession negotiations with five CEE candidate countries, including Estonia (Ehin, 2001). After the opening of the negotiations, fears concerning the loss of state sovereignty and national identity, and the costs of membership have arisen with the pressured negotiation chapters by the EU (Miniotaite, 2003). Therefore, in the public poll of the candidate states in 2002, only 32% and 35% of people in Estonia and Latvia thought that EU membership would be a good thing, which were the bottom among the applicants (European Commission, 2002). Also according to Weßels's research in three types of Euroscepticism (Weßels, 2007), 3 Baltic states were 'adamant eurosceptics' with negative EU identity and positive Euroscepticism following after UK in 2004. Whilst the typical Eurosceptic UK has finally decided to leave the EU, it is interesting to note that those 3 Baltic states have become 'Europhiles' even more than average EU citizens, which will be further discussed in the later chapters.

Also, the fact that such identity transition only has happened starting from early 2010s when they were on the verge of the adoption of the euro is another important reason to see the Baltic cases. Estonia, Latvia and Lithuania had entered ERM II, the requisite phase before the euro adoption, in 2004, 2005 and 2004 respectively and finally adopted the currency in 2011, 2014 and 2015. So, their national currencies were pegged to the euro almost from the beginning of the EU membership. On the politician's perspective, such pegged system already has faded the meaning of having a national currency with the lack of monetary sovereignty and mitigated the opportunity cost of introduction of

the euro as just as giving up the possibility of devaluation⁵. On the public side, however, still the usage of national currency was the symbol of national independence and played as a lever to hold one's identification firmly in national identity, as Helleiner argues (Helleiner, 1998). So, their improvement of the European civic identity occurred after 2011 suggests that their experience with the euro has contributed to the extent which has drastically changed its skeptical opinion on the EU to favorable attitude.

3.2 Economic expectations

To substantiate our argument—the euro adoption has increased European civic identity in 3 Baltic states—firstly we need to verify if Baltic people are civic or cultural identifiers as what Bruter classified. In order to be affected by the euro in terms of identity, they should have economic expectations behind the currency transition and their image of EU and the euro has to be related to a prosperity or economic growth. In the previous chapter, we have found that Baltic states shares relatively less common experiences with that of Western Europe due to the annexation by USSR, which makes them less exposed towards non-material images of EU such as peace, harmony and cooperation or cultural backgrounds but we need to confirm their true motivation as well.

Firstly, in terms of EU accession Ehin (Ehin, 2001) found in her research that Baltic's support for European integration is affected by individual expectations of economic gain.

⁵ Lat go. (2014, January 1). *The Economist*. Retrieved from <https://www.economist.com/blogs/theworldin2014/2014/01/latvia-and-euro>

She categorized economic expectations into two; Occupation-based gain and class-based gain, which measures individual's expected gains from joining EU based on the respondents' occupation and economic status. Interesting fact is that unlike the previous research arguing that highly educated person earning higher income would like to have higher support for the EU is challenged in this case. Regardless of individual competitiveness, the result showed that even poor people in Baltic states supported for EU membership. It tells us that 'personal' cost-benefit calculation was not that important in Baltic states but they held strong expectations in terms of economic gains and prosperity by becoming a member of EU, which amplifies their consensual civic characteristic in terms of identification with EU. Also, she found the identification with the democratic norms is irrelevant with supporting EU membership, proving once again that Baltic's identification with EU leans towards utilitarian elements.

Next, their expectation from euro adoption was also significantly related to economic gains. With euro adoption, first investors believe that economic policymaking becomes more predictable, second government's cost of borrowing will be reduced as it gains access to ECB funding in emergency and last but not least, it will boost the trade with its biggest trading partner, the Eurozone⁶. Interestingly, 3 Baltic states had joined the Eurozone after the awake of the euro crisis. In terms of calculative perspective, the euro adoption amidst some faltering member states would have been shunned as it would mean contributing to bailouts of eurozone countries whose citizens are far richer than

⁶ C.W. (2014, December 16). Why Lithuania is about to adopt the euro. *The Economist*. Retrieved from <https://www.economist.com/blogs/economist-explains/2014/12/economist-explains-12>

they⁷. However, as we have seen from Ehin's research, political elites in Baltic states also did not mind their economic status in EU and the cost they had to pay by adopting the euro. Rather, they had focused on the positive consequences outstrips the cost. As former prime minister of Latvia, Valdis Dombrovskis, said, "It's a big opportunity for Latvia's economic development"⁸. Also in his interview, he saw that euro crisis as not as currency crisis but rather financial and economic crisis in certain Eurozone countries and he pointed Estonia's positive signals as financial and economic stability even after adopting the euro in 2011 could be recurred in Latvia as well⁹. Admittedly, successful case of Estonia had influenced Latvia and then Latvia did to Lithuania. It had given the confidence in joining the Eurozone during the crisis also some anxiety that their country should not be left behind this euro-track happening in the Baltic region. It was same for EU accession in early 2000s. The political elites of the Baltic States, competing to be the first country to accede the EU and NATO, aimed to have their countries treated as distinct entities by the West rather than as a single geopolitical unit (Miniotaite, 2003). Such rivalry turned out to be a great catalyst for euro adoption despite the Eurozone turmoil.

Another important factor in joining the Eurozone was to have bigger leverages in the world by being a full-fledged member of EU. "Smaller countries can sit at the high table

⁷ Birnbaum, M. (2013, July 16). For Latvia, euro still attractive despite Europe's financial crisis. *The guardian*. Retrieved from <https://www.theguardian.com/world/2013/jul/16/latvia-joins-eurozone-euro-crisis>

⁸ Chu, B. (2014, January 3). Latvia: The country that fell for the euro. *The Independent*. Retrieved from <http://www.independent.co.uk/news/world/europe/latvia-the-country-that-fell-for-the-euro-9037874.html>

⁹ A Baltic bounce-back. (2012, June 29). *The Economist*. Retrieved from <https://www.economist.com/blogs/charlemagne/2012/06/lessons-latvia>

of world economies through projects like the euro," said Latvian foreign ministry state secretary Andrejs Pildegovics¹⁰. Also, the former prime minister of Estonia, Andrus Ansip, said, "The euro is first and foremost a guarantor of our security. We are now full-fledged members of the world's second largest financial region with all the consequent obligations that this brings"¹¹. Having joined EU in 2004, Baltic and CEECs had felt that they are second-class member of EU. For instance, European Commission set to propose general five-year transition periods for free-movement of citizens of future Member States in 2001¹² which gave the impression that those new members needed to be screened for the sake of being truly accepted as a member. Not only the lack of commonality in the past with the pre-ins but such quasi-hierarchical relationship within the union engendered grumbles from new members but in case of Baltic it rather instigated heightened desire to be accepted as one of them. It is deeply related to Ansip's remarks; they considered EU and the euro as a guarantor of their security from the threat of Russia.

¹⁰ Birnbaum, M. (2013, July 16). For Latvia, euro still attractive despite Europe's financial crisis. *The guardian*. Retrieved from <https://www.theguardian.com/world/2013/jul/16/latvia-joins-eurozone-euro-crisis>

¹¹ Tanner, J. and Peach, G. (2011, January 1). Estonia adopts the euro. *The independent*. Retrieved from <http://www.independent.co.uk/news/world/europe/estonia-adopts-the-euro-2173588.html>

¹² Five-year transition periods for CEEC workers? (2001, March 27). *Euractiv*. Retrieved from <http://www.euractiv.com/section/enlargement/news/five-year-transition-periods-for-ceec-workers/>

3.3 Russophobia

Other than economic reasons, anti-Russia sentiment or Russophobia is another important factor to explain Baltic's EU accession, the euro adoption and European civic identity. As discussed earlier, Baltic states consider themselves as a part of Europe from the beginning but forcibly, illegally annexed by Soviet Union. Such conception can be found in their rejection of membership in Commonwealth of Independent States (CIS). Then how is the Russophobia and Europe related? According to Miniotaite (Miniotaite, 2003), contemporary foreign and security policies of the Baltic States seem essentially similar: they share the same pro-Western orientation, they seek membership of NATO to obtain hard security, they are actively involved in attempts to join the European Union for soft security reasons and, finally, they are cautious and distrustful in their relations with Russia. As historians' studies show, the focus on belonging to Europe has been and still remains primarily a way of distancing the Baltic States from the East (Russia) (Staliunas, 2002). In other words, Europe means returning back to their home on the one hand and securing themselves from Russia on the other.

Before we examine the relationship between the euro and Russophobia, first we need to know where this phobia comes from and keep proliferated. Most importantly, not only they share borders with Russia but also Russian-minorities constitute significant amount of population not least in Estonia and Latvia. The ratio of Russians is estimated at 24% in Estonia, 27% in Latvia and under 6% in Lithuania¹³. The problem is these Russian

¹³ Grigas, A. (2014, November 28). The new generation of Baltic Russian speakers. *EURACTIV*.

minorities are more favorable to Russia than the EU. According to Łada's research (Łada, 2015), 7% and 5% of Russian-speaking residents in Estonia and Latvia perceives a military threat from Russia while it is 80% and 69% for Estonian and Latvian speaking group. Also, these Russian-speaking groups are against NATO to be stationed in their country and of EU's sanctions on Russia. It clearly shows the division between Russian-speaking and Estonian-/Latvian-speaking groups. In Ehin's research (Ehin, 2001), she also found that when it comes to Russian minorities' rights, Russian minorities may look towards Russia, not the EU, for the solutions to their problems and a guardian of their rights. Such reliance or emotional attachment to Russia from over 20% of population is serious enough to cast a doubt about future military threat from Russia not least after the annexation of Crimea. On top of Donald Trump who is against the idea of NATO and declared he would not necessarily challenge Russian aggression – particularly in the Baltic states¹⁴, high number of Russian-speaking population who is favorable to Russia might project dangerous ideas to Putin, whose goal of the annexation of Crimea was to ensure the proper conditions for the people of Crimea to freely express their will¹⁵. In Baltic region, there has always been the ethnic strife between locals and Russians since the independence from Soviet Union. In Estonia and Latvia most immigrants

Retrieved from <https://www.euractiv.com/section/europe-s-east/opinion/the-new-generation-of-baltic-russian-speakers/>

¹⁴ Kasperaviciute, R. (2016, November 15). Why the people of the Baltic states are fearful of a President Trump. *The guardian*. Retrieved from <https://www.theguardian.com/commentisfree/2016/nov/15/baltic-states-fearful-president-trump-nato-latvia-estonia-lithuania-ukraine>

¹⁵ Direct Line with Vladimir Putin. (2014, April 17). President of Russia. Retrieved from <http://en.kremlin.ru/events/president/news/20796>

arriving since 1940 from other parts of the former Soviet Union (these newcomers being variously referred to as Russian-speakers or occupiers or colonists) are denied participation in national politics. Their adult children, though they may have been born in the Baltic states, are similarly excluded (Lane, 1994). Aleksandrs Gaponenko, a leader of the Latvian ‘Non-Citizens’ Congress, says: “I feel that I live as a second-class person. Our society has racism and discrimination, where some live at the top of society and others – Russians – live at the bottom.”¹⁶ Also, Latvia might give citizenship to Russian-speaking people, but they can never be called Latvians because Latvia strictly differentiates between citizenship and nationality¹⁷. Such grievance from over 20% of population not only hampers the national unity but also could give dangerous justification for Russia’s interference to the Baltic states. President Vladimir Putin said in 2014 that the presence of Russians in Estonia gives Moscow the right to intervene with force¹⁸. Also, Latvia had a constitutional referendum on whether to make Russian a second official language in 2012. Even though the proposal was rejected with huge margin (Against: 74.8%, For: 24.88%), it revealed clear ethnic tensions and split within Latvia also the possibility of enlargement of ‘Russianness’.

¹⁶ Milne, R. (2014, March 30). Latvia’s Russians express dissatisfaction. *Financial Times*. Retrieved from <https://www.ft.com/content/562950b0-b661-11e3-b230-00144feabdc0#comments>

¹⁷ Grigas, A. (2014, November 28). The new generation of Baltic Russian speakers. *Euractiv*. Retrieved from <https://www.euractiv.com/section/europe-s-east/opinion/the-new-generation-of-baltic-russian-speakers/>

¹⁸ Elgood, G. (2017, February 24). Wary of divided loyalties, a Baltic state reaches out to its Russians. *Reuters*. Retrieved from <http://www.reuters.com/article/us-baltics-russia-idUSKBN1630W2>

In such circumstances, political backdrop of euro adoption had to do with Russia indeed. Identification with the West (Europe) has been followed by political, economic and cultural distancing from the East (Russia) (Miniotaite, 2003). Hence, the adoption of euro was the pinnacle of their ‘return to Europe’ i.e. ‘distancing from Russia’ by incorporating its economy into the Eurozone. Lithuania’s prime minister Algirdas Butkevicius, said the euro would “become a guarantor of both economic and political security.”¹⁹ Many Lithuanians hope that the euro will provide a symbolic defence against a Kremlin incursion²⁰. In practice, Lithuania's support for joining the euro has gone from 41 percent in 2013 to 63 percent in 2015 in the wake of Russia's incursion into Ukraine²¹. Overall, the Baltic shares the idea that sharing same currency with EU ensures their economic and political security in case of emergency. It explains their adoption of euro despite the euro crisis; The cost of not being in Eurozone is more than merely losing future economic opportunity. It is also a matter of their security amidst the uncertainty of international relations.

We can consider Russophobia as one of the civic motivation for the euro adoption as well since it is related to its national interest rather than peace or harmony on EU level.

¹⁹ Lithuania joins euro zone as Russia flexes military muscles. (2015, January 1). *The Irish Times*. Retrieved from <https://www.irishtimes.com/news/world/europe/lithuania-joins-euro-zone-as-russia-flexes-military-muscles-1.2052094>

²⁰ Why Lithuania is about to adopt the euro. (2014, December 16). *The Economist*. Retrieved from <https://www.economist.com/blogs/economist-explains/2014/12/economist-explains-12>

²¹ Kaža, J. (2014, December 30). After Period of Skepticism, Lithuanians Warm to the Euro. *The Wall Street Journal*. Retrieved from <https://www.wsj.com/articles/after-period-of-skepticism-lithuanians-warm-to-the-euro-1419957832>

Thus, we can summarize the Baltic state's expectations from the euro; 1) increased leverages in the EU and the world 2) economic gains and 3) security. As discussed earlier, European civic identity can be formed when these expectations have met. In other words, when people perceives that using euro is beneficial to them, it positively contributes to the formation of the European civic identity. In next chapters, we will see if their European civic identity has increased since the euro adoption as their expectations from the euro has been met.

IV. Findings

4.1 Eurobarometer results

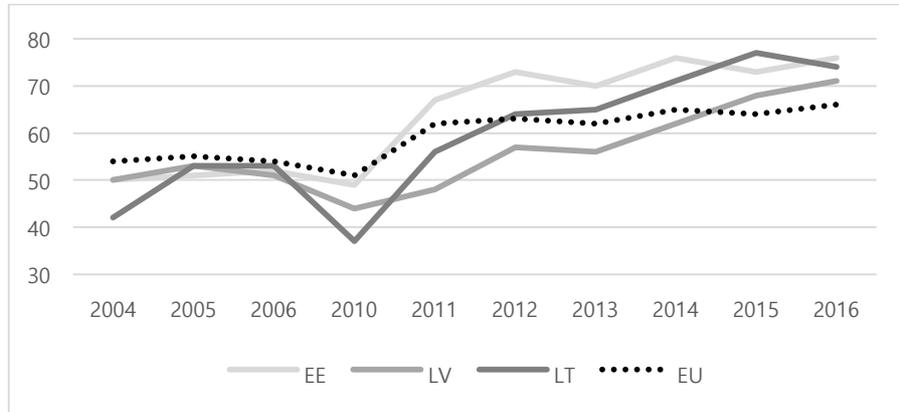
To examine the changes of European civic identity of 3 Baltic states, this paper will use data from Eurobarometer. Eurobarometer surveys, conducted by European commission, is aimed to monitor the evolution of public opinion of 28 member states twice every year. Standard Eurobarometer established in 1974 has mostly to do with the public opinion regarding the EU institutions, politics and economic situation. While the standard Eurobarometer covers the whole member states with general subjects, Flash Eurobarometer are in-depth interviews on target group under the specific topics. They are ad hoc thematic telephone interviews conducted at the request of any service of the European Commission²². The variety of the topic of Flash Eurobarometer ranges from

²² European Commission, Public Opinion,
<http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/General/index>

the euro, SMEs to citizenship and rights. Flash Eurobarometer not least focused on the Euro-area is an important asset for the studies in the euro in terms of providing different feelings and assessment of the citizens towards the common currency. Some scholars such as Bruter (Bruter, 2003), However, have been questioning its adequacy in providing clear measurements. But to see the transition process of identity in all 3 Baltic states, I assumed Eurobarometer can provide rough but extensive and comparable sources including the EU average, to which we can adjust our interpretation of national results.

First question that I will refer to is the one asking whether people feel that they are citizens of EU, which is directly linked to the degree of European civic identity. The question of asking people's feeling of identity in the standard Eurobarometer has been kept changing. In 2000s, it asked whether they see themselves as a European in near future so it was unable to show how they felt at then. But from 2007 to 2009, suddenly such questions had been substituted with more symbolic and broad questions of European citizenship, for instance, their feeling of European flag or the meaning of European Union which could not investigate the actual feeling of citizenship of people by the country. Then from 2011, the question resurged but in much more simpler way; You feel you are a citizen of the EU.

Figure 2. You feel you are a citizen of the EU (% of total European)



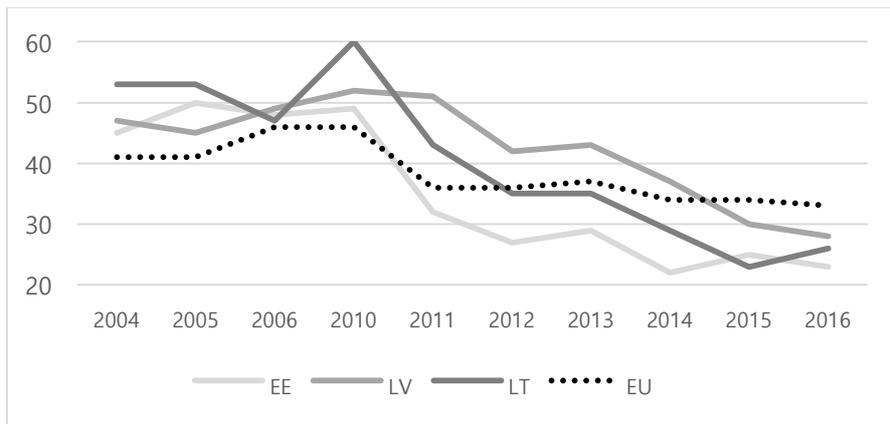
Source: European Commission, Standard Eurobarometer 62, 64, 66 (2004~2006).

European Commission, Standard Eurobarometer 74, 75, 78, 79, 81, 84, 85 (2010b~2016b)

Above figure shows the percentage of the total European which includes all the answers that include 'European' regardless of the priority between European identity and nationality, which only excludes 'Nationality only'. It is noteworthy that the average of EU relatively showed marginal increase whilst that of 3 Baltic states have been soared not least since 2011. Until 2010, it is clear that all 3 states had lagged behind the EU average in the feeling of citizenship but since 2011, first Estonia and then Lithuania started to surpass the average and finally Latvia, who was relatively an outlier of this trend, also outstripped the EU average from 2015. As of 2016, now over 70% of people in 3 Baltic states feel that they are citizens of the EU. Unlike the question in Figure 1, this question specifically asks how much they perceives themselves as a citizen of the EU, which indicates their European civic identity. Hence, overall steady increase of 3

Baltic states' European civic identity is very impressive considering how adamantly Eurosceptic they were in the past and relatively subtle increase of the EU average.

Figure 3. You don't feel you are a citizen of the EU (% of total national)



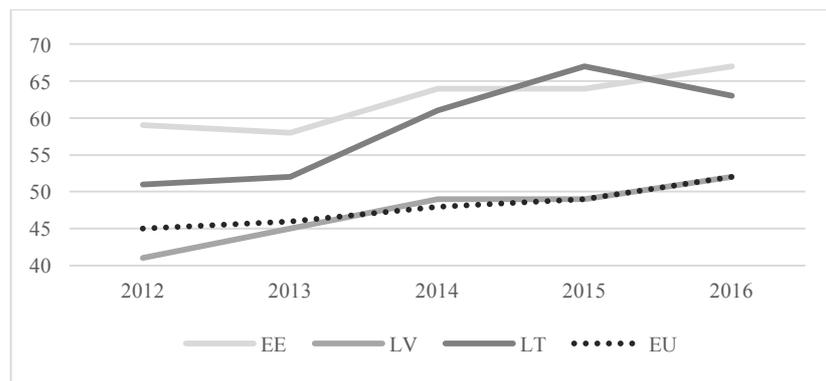
Source: European Commission, Standard Eurobarometer 62, 64, 66 (2004~2006).

European Commission, Standard Eurobarometer 73, 75, 78, 79, 81, 84, 85 (2010~2016b)

Figure 3 shows the percentage of people who feel 'only' their nationality. As previous figure, most of the people in Baltic states had felt their nationality only until 2010. In other words, those people had little or no European civic identity even after 6 years of becoming a member of the EU. Starting from 2011, However, all 3 states have shown drastic fall of exclusive nationality which is equivalent to the increase of European civic identity. Such radical drop of adamant nationality in 3 Baltic states are impressive considering the EU average which has shown only marginal decrease or stagnation for recent years.

Next, Eurobarometer also asks people's knowledge of EU citizen rights, which is another important factor in European civic identity. Bruter defined that European civic identity can be understood as the degree to which they feel that they are citizens of a European political system, whose rules, laws, and rights have an influence on their daily life (Bruter, 2003). Hence, the more they are acquainted with their rights as a citizen, the stronger European civic identity they have. But this question has been asked starting from 2012 so we can only see the results of recent 5 years.

Figure 4. You know what your rights are as a citizen of the EU (% of total Yes)



Source: European Commission, Standard Eurobarometer 78, 79, 81, 84, 85 (2012b~2016b)

Surprisingly, majority of Estonian and Lithuanian felt that they know their rights as a citizen of the EU in 2012 and it has been keep increased since then enlarging its gap with EU average. Despite slight decrease in Lithuania, now over 60% of people in Estonia and Lithuania feel that they know their rights as a citizen of the EU. Only Latvia lagged behind the others in the beginning, but recently it has narrowed its gap with EU average

and now majority of Latvians feel the same as its neighbors. This data suggests continuous increase of Balts' interest in the EU and its leverages into their lives. It implies they have successfully narrowed the emotional distance between them as one of the new members and the EU, overarching political unity.

From these three figures, we can see that the improvement of European civic identity and decrease of exclusive nationality in 3 Baltic states have been extraordinary compared to other member states. Considering the circumstances of the Eurozone at that period, the transition of once adamant Eurosceptics into Europhiles was curious yet astonishing phenomenon. Interestingly, the starting point of such changeover was around the time that euro accession had been sparked up. In 2011, Estonia has finally adopted the euro and Latvia was working on meeting Maastricht criteria since its government decided to adopt the euro in March 2010²³. In case of Lithuania, it lagged behind others because politicians were reluctant to commit before the 2012 general elections²⁴. But they also had started working on meeting the criteria since 2013 and finally met all the economic criteria on May 2014²⁵. Only Estonia was using the euro around 2011 but the government's decision to adopt the euro and meet convergence criteria in Latvia and

²³ Latvia on Road to Adopt Euro in 2014. (2012, November 7). *Novinite.com*. Retrieved from <http://www.novinite.com/articles/144936/Latvia+on+Road+to+Adopt+Euro+in+2014>

²⁴ Lithuania adopts euro to cement ties with Eurozone. (2014, December 30). *Daily Sabah*. Retrieved from <https://www.dailysabah.com/economy/2014/12/30/lithuania-adopts-euro-to-cement-ties-with-eurozone>

²⁵ Lithuania meets all criteria for euro membership - central bank. (2014, May 16). *RTÉ*. Retrieved from <https://www.rte.ie/news/business/2014/0516/617704-lithuania-euro/>

Lithuania had a direct impact upon national and personal economic activities, which made people feel that their personal life started to be affected by the EU. So, we can say regional and domestic movements towards the euro have played its role as one of the pillars of civic European identity which we discussed earlier; Increased exposure of their interest to the EU's decision. Then personal utilitarian cost-benefit calculation has to be followed. We will see if the Balts' two expectations from the euro—Economic growth and security—has been met or more precisely, has been felt by the people after the adoption of the euro.

4.2 Impact of the Euro on Economic and Political Expectations

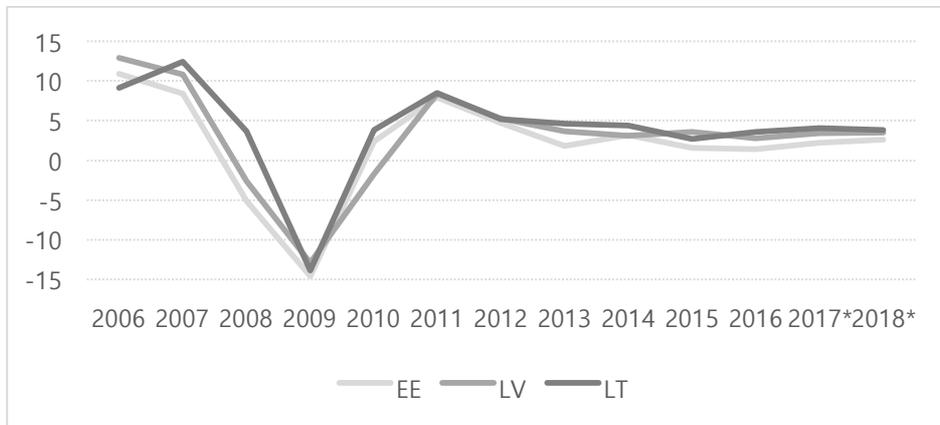
Economic perspective

First of all, in terms of economic side it is relatively easy to quantify the effect of the euro introduction on Baltic economy. The region's economic recovery and growth in early 2010s were stark success especially compared to its deep recession before the introduction which had been incurred by the austerity measures to meet the Maastricht criteria. All 3 member states had a big slump of over 20% shrink in GDP in 2009 and in case of Latvia, they were bailed out by EU and IMF in 2008²⁶. However, as shown in Figure 5, from right next year of 2010, 3 Baltic trios have started the remarkable recovery with the high growth rate. Recently, weak external demand contributed to downward

²⁶ Latvian lessons. (2012, June 9). *The Economist*. Retrieved from <http://www.economist.com/node/21556580>

pressures on growth as shown in the Figure 5, but still 3 Baltic states took the lead on growth prospects more than EU average and the Eurozone (Grajauskas, 2014). The forecast of GDP growth in 2018 of Baltic states (EE:2.6, LV:3.0, LT:2.8) is way above than average of the Euro-area and the EU, 1.8 (European Commission, 2017d).

Figure 5. Real GDP per capita (% of change on previous period)



Source: Eurostat (2006~2018) *Year 2017 and 2018 are forecasts

Then how much has the euro contributed to this growth? It is still early to judge since Latvia and Lithuania joined the Eurozone recently and foreign investor's confidence or perception of stability of Baltic economy takes some time to change but in case of Estonia, its net FDI flows have turned into positive for the first time in 2015 as shown in Table 2. As one of their expectation from the adoption of the euro is an increased investment inflow from European continent, this result gives some promising prospects for other Baltic tigers as well. According to a forecast report by European Commission,

investment would be the driving force of the growth in both Latvia and Lithuania. As the flow of investment projects co-financed by the EU returns to normal level, both private and public investment in Lithuania are forecast to rebound and drive growth in 2017 (European Commission, 2017d).

Table 2. Net FDI flows (% of GDP)

	2004-2008	2009	2010	2011	2012	2013	2014	2015
EE	-5.7	-2.4	-6.9	-10.6	-2.2	-1.0	-2.9	0.9
LV	-4.6	-0.6	-1.5	-4.9	-3.3	-1.6	-1.6	-2.3
LT	-3.1	0.6	-2.2	-3.2	-0.7	-0.6	0.0	-1.9

Source: European Commission (2017a, 2017b, 2017c)

Mantas Katinas, Managing Director of Invest Lithuania said “The Danish window and door manufacturer Dovista decided to establish a division in Marijampolė, implementing perhaps the largest greenfield investment project in the history of Lithuania in the process; Ryanair is expanding its aircraft maintenance base in Kaunas; and in the near future we expect to announce the arrival of another large investor, which will enhance Lithuania’s reputation internationally. Investments into production operations are a key factor in driving the growth of the economy of Lithuania’s regions”²⁷. So, in the near

²⁷ Vaida, Petras. (2017, February 1). Invest Lithuania as it attracted 36 foreign direct investment (FDI) projects to Lithuania in 2016. *The Baltic Course*. Retrieved from <http://www.baltic-course.com/eng/investments/?doc=127309>

future 3 Baltic states are expected to have significant increase of FDI in its regions which owed to introduction of the euro to some extent.

Table 3. Exports of goods to other Member States (EUR billion)

	2003	2009	2015	Annual average growth rate (%)
Belgium	51	65	101	6
Bulgaria	2	4	8	11
Czech Republic	5	12	24	13
Denmark	17	22	33	6
Germany	231	300	505	7
Estonia	1	2	3	12
Ireland	31	32	52	4
Greece	4	7	12	9
Spain	34	49	89	8
France	115	130	188	4
Croatia	2	3	4	7
Italy	97	121	187	6
Cyprus	0	0	1	14
Latvia	1	2	3	17
Lithuania	2	4	9	12
Luxembourg	1	2	2	6
Hungary	6	12	17	9
Malta	1	1	1	2
Netherlands	51	80	125	8
Austria	20	27	41	6
Poland	8	20	37	13
Portugal	5	8	14	8
Romania	4	7	14	12
Slovenia	3	4	7	9
Slovakia	3	6	10	12
Finland	19	20	22	1

Sweden	37	39	52	3
United Kingdom	110	114	230	6

Source: Eurostat (2017)

Also, one of the economic expectation from the euro adoption was to facilitate trade relations with EU member states²⁸. According to the above Table 2, 3 Baltic states have shown steady increase of intra-EU exports since 2003. Although their volumes of trade are relatively small compared to other member states but it is noteworthy that their annual growth rates are among the highest. It implies that the euro adoption was effective in boosting economic transaction between Baltic states and the rest of the EU also binding their economy with the EU. As Pildegovics expected²⁹, the Baltic states which is relatively smaller economies are very likely to sit at least at the high table of EU economies in the future.

With these auspicious results, the praise of Baltic's success splashed the media with pleasing titles such as 'Bouncy trio', 'A rare bit of good news from a euro-zone economy'³⁰, 'Latvian lesson's' and its rocketing growth was often compared to suffering

²⁸ Estonia has changed over to the euro – why? (2011, Feb 17). Euroveeb. Retrieved from http://euro.eesti.ee/EU/Prod/Euroveeb/Main_Page/left_menu/Changeover_to_the_euro_in_Estonia/12_211205_Euromoju.html

²⁹ Birnbaum, M. (2013, July 16). For Latvia, euro still attractive despite Europe's financial crisis. *The guardian*. Retrieved from <https://www.theguardian.com/world/2013/jul/16/latvia-joins-eurozone-euro-crisis>

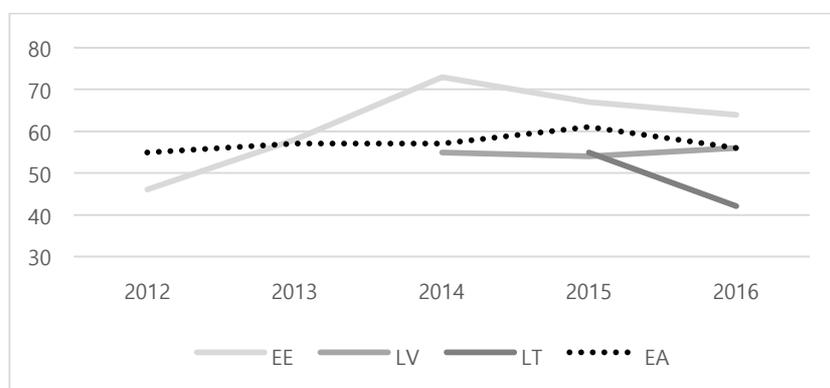
³⁰ Estonian exceptionalism. (2011, July 14). *The Economist*. Retrieved from <http://www.economist.com/node/18959241?zid=307&ah=5e80419d1bc9821ebe173f4f0f060a07>

Mediterranean³¹. While the fear of Grexit had arisen in the Eurozone, successful transition to the euro in Estonia followed by Latvia and later Lithuania was indeed a good news for the faltering status of the euro.

But for the sake of examining the euro's effectiveness on meeting people's demands, what is more important is how people feel about their economy after the introduction of the euro i.e. the perceived economic benefits from the euro. Eurobarometer have been asking whether the people of the Eurozone think the euro has been good for their country since 2012.

³¹ Latvian lessons. (2012, June 9). *The Economist*. Retrieved from <http://www.economist.com/node/21556580>

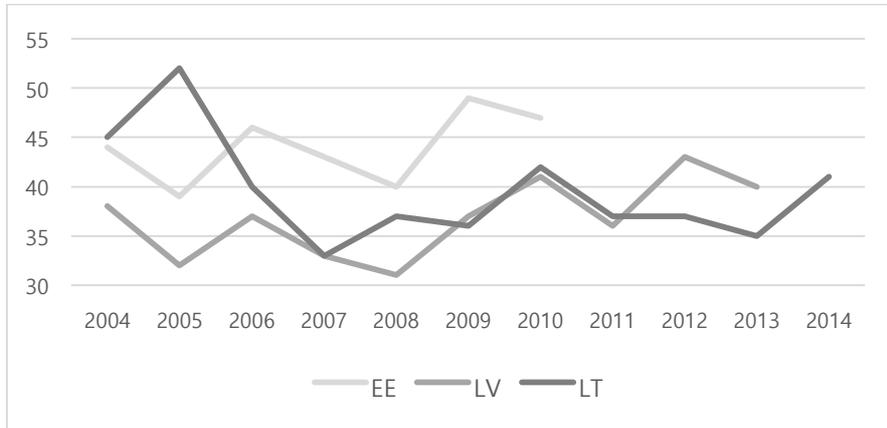
Figure 6. Having the euro is a good thing for our country (%)



Source: European Commission, Flash Eurobarometer 362, 386, 405, 429, 446 (2012a~2016a)

Except for sudden fall of support in Lithuania, now over the majority of people in Estonia and Latvia positively evaluates the consequences of the euro on national level. Estonia, who had adopted the euro much earlier than others, have also shown outstanding support for the euro among 3 member states. As a matter of fact, such positive sentiment towards the euro was a staggering improvement if we take their initial perception of it before the introduction in to account.

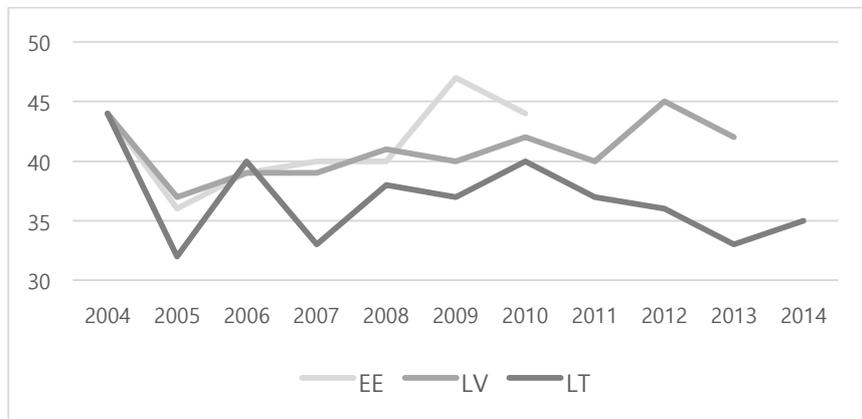
Figure 7. Consequences of introduction of the euro at a national level (% of total positive)



Source: EOS Gallup Europe, Flash Eurobarometer 307 (2010)

European Commission, Flash Eurobarometer 377 (2013a), 400 (2014)

Figure 8. Consequences of introduction of the euro at a personal level (% of total positive)



Source: EOS Gallup Europe, Flash Eurobarometer 307 (2010)

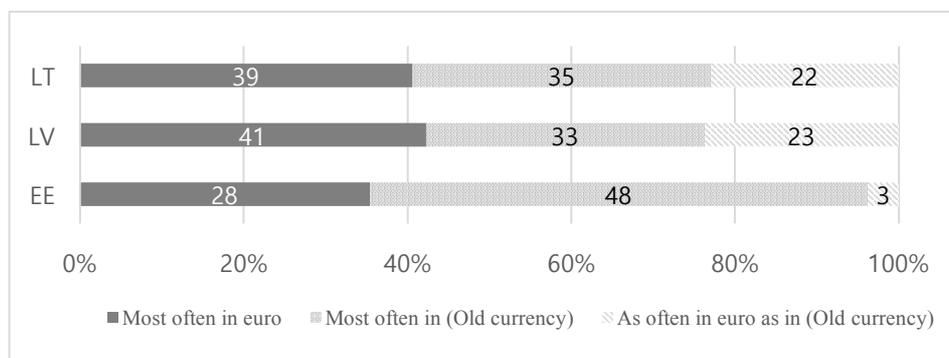
European Commission, Flash Eurobarometer 377 (2013a), 400 (2014a)

Above figures shows the Baltic's perception and support for the euro from 2004 to

before the adoption. It is clear that never had the majority of people thought that having the euro would be good for their nation or for themselves. In other words, the majority of people in Baltic had reservation or skeptical opinion towards the euro before. However, after the adoption of the euro the public opinion has been changed to be more or less favorable to the currency.

Another interesting figure to examine is that how much people miss the old currency. Asking in which currency do they count or calculate when it comes to making common everyday purchases, it can demonstrate how much people miss or still feel attached to the old currency. Flash Eurobarometer in 2015 showed rather unexpected results. Estonians, who had been using the euro for the longest period among 3 Baltic states, still conjure their old currency in everyday purchases more than others. Almost majority of them are still familiar with calculating the price with Kroon than the euro. However, Latvia and Lithuania who had adopted the euro only in 2014 and 2015 respectively, have more quickly adjusted their daily lives to the new currency and it shows much more positive results in terms of perceptual transition than Estonia.

Figure 9. In which currency do you count or calculate most often when you do common purchase such as day-to-day shopping? (%)



Source: European Commission, Flash Eurobarometer 412 (2015)

This figure proves that unlike the lack of enthusiasm for the euro before the introduction as for some people national currency was a cherished symbol of restored statehood³², most people of Baltic states have swiftly adjusted to the new currency and it already have successfully entrenched to people’s minds. This result corresponds to their positively changed perception and evaluation of the euro after the introduction. Overall, 3 Baltic states were skeptical with the euro on both national and personal level in 2000s but after the actual introduction the majority feel satisfied with the currency and have promptly adjusted their daily lives accordingly. Thus, we can say the positive assessment with the euro adoption in terms of personal and national economy has affected in increasing their European civic identity.

³² Lat go. (2014, January 1). *The Economist*. Retrieved from <https://www.economist.com/blogs/theworldin2014/2014/01/latvia-and-euro>

Political perspective

With respect to Russophobia and the euro's role as assuring 'More Europe' and 'Less Russia', I would like to see the results of parliamentary election in Baltic area. Ehin (2001) found that mass attitudes towards European integration are affected by domestic politics in 3 Baltic states. So, incumbent popularity and voter assessment of government performance has greatly related to the public's EU support. If they are satisfied with the euro adoption, or more specifically, the incumbent government's pro-EU policies, the political party is very likely to be win in the following election again. Hence, by examining the transition of first parties after the euro adoption we can assume if pro-EU has retained its popularity or pro-Russia parties have uprisen as the result of anti-EU sentiment. We cannot measure to what extent the euro has affected in voters' decision but it could generally give the idea of the public support towards EU or Russia, upon which the perceived benefits from the euro has substantially influenced.

Table 4. Results of Parliamentary election in 3 Baltic states.

(Upper-Name of the first party, Lower-Dichotomic ideology)

Year	2003	2007	2011	2015
Estonia	Centre	Reform	Reform	Reform
	Russia	EU	EU	EU
Year	2006	2010	2011	2014
Latvia	People's	Unity	Harmony	Harmony
	Party		Centre	
	EU	EU	Russia	Russia
Year	2004	2008	2012	2016
Lithuania	Labour	Homeland	Social	Farmers and
		Union	Democrats	Greens
	Russia	EU	EU	EU

Source: Author

In the above table, I wrote the name of first party in each election and roughly categorized their ideology into either EU or Russia. Granted, it is not politically accurate to dichotomize the party's ideology or political stance but according to Feldman, European identity in the Estonian discourse is often constructed in terms of what it is not. Its proponents play into the "East/West" dichotomy and, of course, locate Estonia in the "West." (Feldman, 2000). Hence for the sake of simplification, I labelled the political parties into Russia and EU indicating which side they are more close to.

Except for Latvia, the pro-EU party in Estonia and Lithuania have won the first party

for many years. Interestingly, both countries showed the dominance of pro-Russia party around the time of EU accession which shows public's political ideology leaning more towards Russia than the EU in the past. Now we will look more closely to each nation.

First of all, Estonia has been steadily showing the winning of pro-EU party, Reform Party, since 2007. The successful leadership and stable public support for Reform Party were well supported by Andrus Ansip, the former prime minister of Estonia also the longest serving prime minister in the EU. He stepped down to run for the European parliament and later joined the European Commission (Sikk, 2015). In stark contrast to Latvia, there have been absent of Russian Parties in Estonia since 2003 (Sikk, 2015) but the pro-Russian powers cannot be underestimated as the biggest opposition party, Centre Party is well known for its strong ties with Vladimir Putin and fell short of only 3 seats to Reform Party's in last 2015 election. Notwithstanding, the fact that Reform Party's continuous winning of election during the ERM II phase and after the introduction of the euro states that people in Estonia have satisfied with its pro-EU policy to some extent.

Next, Latvia rather showed different trend compared to its neighbors. Although it started with pro-EU parties but after the dissolution of the Saeima, the parliament of Latvia, in 2010, Harmony have won the first party in two consecutive elections. However, in 2014 its centre-right coalition formed by the Unity party, the Nationalist Alliance and the Union of Greens and Farmers won at least 61 seats which was significant amount compared to Harmony's 24 seats³³. Aside from the coalition, the Unity Party which is

³³ Latvia election: Coalition keeps strong Russian party out. (2014, October 6). *BBC*. Retrieved from

pro-EU party of Latvia had won 23 seats so it is hard to say that Latvia has been politically estranged from the EU and become friendly to Russia. With very marginal gap between Harmony and the Unity party and strong coalition of pro-EU parties, the results of next election in 2018 remains to be seen.

Finally, in 2014 Lithuania where the pro-Russian parties are very unpopular had somewhat shocking triumph of Farmer's Party who had just one seat in the previous election. The party sought to form a coalition with two major parties Homeland and Social democrats which are both pro-European parties. While the main campaign of the party was to deter the outflow of young workers to the EU, the prime minister Saulius Skvernelis who led the party's victory made clear that his party is expected to keep Lithuania firmly within NATO, the EU and the Eurozone³⁴. Another big sensation was the elimination of a right-wing populist Labour Party, also known for being the second biggest political party in Lithuania by membership. Even his attempts to radicalize this party by notorious anti-refugee agenda did not help – he and his party, not the refugees, were left out – out of Seimas (Sabūnas, 2016).

To sum up, amidst fears of Russia's meddling, Baltic voters have turned away from conventional far right parties, preferring centrist parties that promise 'law and order'³⁵. Pro-European parties remain strong in 3 Baltic states indicate the public's some degree

<http://www.bbc.com/news/world-europe-29504093>

³⁴ Lithuania election: Farmers' party in shock triumph. (2016, October 24). *BBC*. Retrieved from <http://www.bbc.com/news/world-europe-37745455>

³⁵ Repeckaite, Daiva. (2017, January 18). Green wins keep Baltic populism in check – but for how long? *Equal Times*. Retrieved from <https://www.equaltimes.org/green-win-keeps-populism-in-the#.WYmxtPyhfQ>

of gratification with the adoption of the euro and moreover, the EU-oriented politics or more bluntly, their hatred towards Russia.

V. Discussion

4.1 Conclusion

The recent situations in the EU indicates that it might be facing the biggest challenge in its history. Starting from the European debt crisis, the influx of refugees and Brexit have instigated the nationalist sentiment in the public which leads to the rise of far-right parties and ultimately, Euroscepticism. Not only the fearsome spiteful remarks by Le Pen that “The EU will die”³⁶, but also the spread of nationalist, fascist march around Europe signifies that the current EU is more close to ‘Euroscepticism’ rather than ‘Europhiles’. In this context, the conversion of Baltic states from adamant Eurosceptics to Europhiles is exceptional and promising phenomenon.

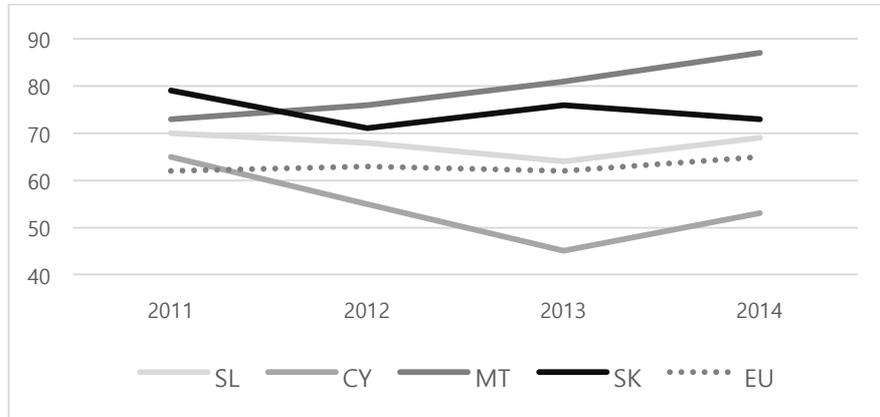
In this article, we have looked through the role of the euro as an identity marker and the cases of 3 Baltic states—Estonia, Latvia and Lithuania—in developing their European civic identity. First of all, we can confirm that the euro can only affect European civic identity through the Eurobarometer question ‘*Do you feel more European by using the Euro?*’. Its consistent answers of ‘Nothing changed’ throughout many years and very little margins of answers between member states prove that the euro could

³⁶ Cabrera, Michaela. (2017, March 26). France's Le Pen says the EU 'will die', globalists to be defeated. *Reuters*. Retrieved from <https://www.reuters.com/article/us-france-election-le-pen-euro/frances-le-pen-says-the-eu-will-die-globalists-to-be-defeated-idUSKBN16X0FO>

affect European identity only to the extent of the civic aspect. Second, I have argued 2 phases of constituting European civic identity; 1) Increased exposure of one's interest to the EU decision and 2) utilitarian approach. The euro fit nicely into these phases as its main goal and people's expectations from it are oriented to economic gains, which is susceptible to cost-benefit calculation. Hence, the impact of the euro on European identity is only conditional. If the euro is perceived as good for their country and individuals, their identification with the EU would be reinforced and the skepticism would be diminished. Finally, 3 Baltic states are civic identifiers whose motivation to join the EU and adopt the euro was mainly for material benefits. Hence, recent economic growth in the region following the euro adoption has contributed to their positive assessment with the EU and identification with it. Also, the successful adoption of the euro has partly contributed to deteriorate lingering pro-Russian sentiment in the region proven by recent parliamentary election results. Overall, as the expectation of people in 3 Baltic states had been met, their European civic identity has been drastically improved despite relatively lack of common history and short period of the EU membership than pre-ins, Western Europe.

Then can we say that successful adoption of the euro is the answer to Euroscepticism? In other words, could such positive transition as the case of Baltic states be generalized?

Figure 10. You feel you are a citizen of the EU (% of total European)



Source: European Commission, Standard Eurobarometer 75, 78, 79, 81 (2011b~2014b)

When we look at the above figures, except for Cyprus, the new member states who had adopted the euro between 2007~2009 have shown higher identification rate than the EU average in the midst of European debt crisis. We will not examine whether their expectation with the euro adoption has been met but what we can infer from this result is that European cultural and civic identity is separate. Notwithstanding of different history or culture and shorter period of the membership, the new member states identify themselves as the citizen of the EU more than the classic old member states in the EU. Weßels mentioned that it is possible that further exposure to the European community could socialize these relatively new EU citizens into critical Europeans (Weßels, 2007). However, the longer period of EU membership or exposure to the European community did not have significant impact on positive identification with the EU. Especially, new member states who has not adopted the euro yet, for instance, Bulgaria, Czech Republic

and Hungary, have shown the lowest identification with the EU among the members (European Commission, 2016c). What makes this difference? As Kaelberer (Kaelberer, 2004) said, the euro and European identity is in a reciprocal relationship. To adopt the euro, there should be enough consent in the country based on expected economic or political gains which is valuable enough to eliminate their national currency and yield monetary sovereignty. It means those who adopted the euro, whether they have economic growth after the adoption or not, is a lot more successful in assuaging Euroscepticism. After the adoption, now the euro could impact the public's identification with the EU as the way we have seen in this article.

Based on such reciprocal relationship, we could expect that successful adoption of the euro could be one of the answer to Euroscepticism and increasing European identity in the future as the utilitarian approach to European identity becomes more salient among the young generation in Europe. Frunzaru et al. investigated how Romanian citizens perceive their European identity and analyzed the characteristics of the respondents who feel European. The result shows that the chance to feel European is double the chance to feel Romanian if respondents have higher education or higher income; people feel more European if they are younger, have visited other Member States and consider that joining to the European Union was a good thing for Romania (Frunzaru & Corbu, 2011). Also, Mihalcea et al. found that the utilitarian aspect is predominant in the way that young people express their Europeaness: democratic values, mobility opportunities, education, economic benefits, security (Mihalcea, Săvulescu, & Vițelar, 2013). These two studies confirm that young Europeans are more likely to aware their citizenship of the EU and

personal economic benefit from the EU is the main factor in supporting or identifying themselves with it. Hence, we can expect that civic aspect of European identity will be reinforced or becomes more salient in the future and people will be prone to evaluate their life in the EU based on the benefits they receive. This conclusion indicates that successful enlargement of the EU and the Eurozone could be the solution for faltering European identity and those who were previously considered as 'in, but not of Europe' could be the only momentum driving the EU to be 'more Europe'.

4.2 Limitations

This study clearly has its limitations. First of all, the derived results in here are based on Eurobarometer and other resources. To investigate explicit relationship between European identity of Balts, further qualitative research including interviews of Balts who have both used their national currency and the euro should be proceeded. Second, it is still too early to judge the change of identity in Latvia and Lithuania as they have adopted the Euro in only 2014 and 2015, respectively. Although there is no alleged time period taken for transition of one's identity, we cannot conclude their improved civic identity as the result of the euro introduction alone. Just as Estonia, two member states have shown the drastic increase of civic identity since 2011, before the actual adoption. Hence, it still remains to be seen what the actual impact of the euro adoption to their identity is.

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국문초록

그동안 유로에 대한 연구는 경제적 측면이 주를 이루었지만 그 가운데 유로와 유럽정체성의 사회학적 관계에 주목한 몇몇 학자들이 있었다. 정식 주화와 지폐가 발행된 2002년 이후로, 유로는 단순히 EU의 단일통화로서의 역할 뿐만 아니라 Risse가 말했듯 유럽 시민들 일상에서 가장 중요한 유럽정체성의 표식이자 유럽연합의 실체성을 부여하는 역할도 해왔기 때문이다. 때문에 유로존 회원국들은 유로를 사용하며 상승된 그들의 유럽정체성을 보여주듯 완전한 EU 회원국, 더 유럽에 가까운 유럽이라 여겨져 왔다.

그러나 유로존 국가를 대상으로 한 Flash Eurobarometer 설문조사를 보면, 2002년부터 2016년까지 대략 70~80%의 유로존 국민들이 유로를 사용하는 것과 자신이 유럽인임을 느끼는 감정은 무관하다고 응답했다. 이러한 결과는 유럽과 유럽정체성의 관계에 대한 기존 연구를 반박하는 것은 물론 유로를 만들었던 유럽 엘리트들의 의도에도 상반되는 결과이다. 그렇다면 유로와 유럽정체성의 관계는 학자들이 말하는 이론적이고 개념적인 것일까?

본 연구는 발트 3국인 에스토니아, 리투아니아, 라트비아의 Eurobarometer 응답의 변화를 통해 유로 도입이 유로에 대한 대중의 기대를 충족시켰을 경우 유럽 시민적정체성 향상을 일으킨다는 결론을 내하고자 한다. 발트 3국은 모두 유럽경제위기가 극심했던 2010년 이후에 유로를 도입하였는데 도입 당시 그들은 유로 도입에 따른 경제적, 정치적 기대가 확실했고 이는 어두웠던 유로의 전망을 이겨내기 충분했다. 그러한 발트 3국의 기대를 유로가 충족시키면서 유로는 2000년대 초반 완강한 유럽회의론자로 분류되었던 발트 3국의 유럽 시민적정체성을 상승시키는데 지대한 영향을 미쳤다.

주요어: 유로, 유럽정체성, 시민적 정체성, 발트 3국, 유럽회의론

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