Expansion of Euro zone (The Potentialities of Business Centers for Global Trade)

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ABSTRACT
Objectives of the study: To examine the role of Euro Zone and economic integration among European countries. It studies to analysis on the theoretical concept of Euro currency.

Methodology: The current study is descriptive and analytical in nature. The data used for the inspection study is secondary in nature & has been accumulated from economic shelp.

Findings: In 1998 eleven European Union member – states had met the convergence criteria, and the Euro Zone came into existence with the official launch of the Euro on 1 January, 1999. Economic integration covers different kinds of arrangements between or among countries by which two or more countries link their economies closer either in ract of total. They maintain the cohesiveness among or between the countries tariffs.

Estonia sees changing to the Euro as marking the end of its struggles since a 2009 recession lopped 14 percent off its out put. It hopes to entice investors by removing any fears of devaluation and make borrowing more secure for its people, many of whose mortgages are already in Euros. It also caps a drive for integration with the West, away from the influence of Russia that began with the collapse of the Soviet Union in 1991.

Still, the Euro remains among the strongest currencies in the world, and membership opens the door to a club with global influence. For small and unsure countries on the fringes of the European Union, it doesn’t get much better.

Application: Estonia becomes the third ex-communist state to make the switch to the Euro, after Slovenia and Slovakia, but it is the first former Soviet republic to do so, sending a signal to other countries in centered and eastern Europe that they, too can aspire to membership price stability is one of the main criteria for admission to the Euro club. But in the past, political leaders have brushed off concerns from the European Central Bank about candidate nations in their eagerness to the responsibility of the European Central Bank about candidate nations in their eagerness to the responsibility of the European Central Bank. Though there is no common representation, governance or fiscal policy for the currency union.

INTRODUCTION

“Trade is not about warfare, but mutual gains from voluntary exchange” by Alan S.B Linder.

Some countries create business opportunities for themselves big integrating their economies in order to avoid unnecessary competition among themselves and also from other countries. Economic Integration among countries takes several forms. Economic integration among the world economies varies in degree. They are Free Trade Area, customs Union, Common Market, Economic Union etc.

Euro Zone: The Euro Zone, officially the Euro area, is an economic and monetary union (EMU) of 17 European Union (EU) member states that have adopted the Euro currency as their sole legal tender. It currently consists of Austria, Belgium, Finland, France, Germany, Greece, Portugal, Slovakia, Luxembourg, Malta, Ireland, Cyprus, the Netherlands, Slovenia, and Spain. Seven ( not including Sweden, which has a de facto opt out ) other states are obliged to join the zone once they fulfil the strict entry criteria.

ACTIVITIES OF EURO ZONE:

1. Elimination of customs duties, quantitative restrictions with regard to exports and imports of good among member countries.
2. Establishment of a common customs tariff and common commercial policy with regard to member countries.
3. Abolition of all obstacles for movement of persons, services and capital among member countries.
4. Formulation of common policy in the area of agriculture and transport.
5. Establishment of European social fund with a view to enhance the employment opportunities for workers and to improve their living standards.
6. Establishment of European investment bank for mobilization of fresh resources and to contribute to the economic development of the community.
7. Application of the procedures and programmes to control the disequilibrium in the balance of payments of member countries.
8. Development of association with foreign countries to promote jointly the economic and social development of the Euro Zone.

**Euro Currency:** The Euro is the form of money for 338 million people. That makes it the second most widely used currency after the U.S. Dollar. Like the dollar, the Euro is managed by one central bank, the European Central Bank. But it is shared by the 19 separate member countries of the Euro Zone. That complicates its management. Each country sets its own fiscal policy that affects the Euro’s value. The Euro was initially proposed to unify the entire European Union.

Since 1 January 2002 when the Euro bank notes and coins were introduced, the single currency originates in all the treaties prepared and signed by the members of the European Council. The elected government of member states together created and developed the “Euro”. The European Council adopted the name ‘Euro’ in December 1995 in Madrid. The Successful development of the Euro is Central to the realization of a Europe in which people, services, capital and goods can more freely. Its purpose is to create a United market and eliminate currency risk. Euro members hope to become more competitive and encourage trade, travel and investment. Political leaders of the members countries hope that Euro would eliminate inflation and currency crisis of the post.

**Expansion of Euro Zone:** Estonia joined the Euro Zone as currency its newest member on January 1, 2011 but the club’s depending crisis is likely to put off trigger Eastern European entrants from joining for up to a decade the small Baltic state of 1.3 million become the 17th Euro Zone country midnight, beginning a switch from the kroon, and was the first former Soviet state to adopt the Euro. Estonia sees changing to the Euro as marking the end of its struggles since a 2009 recession lopped 14% off its output. It hopes to entice investors by removing any fears of devaluation and make borrowing more secure for its people, many of whose mortgages are already in Euros. With similar history, neighbors Latvia and Lithuania hope to adopt the Euro in 2014 and have also had their currencies pegged to the Euro for years.

With a debt crisis that appears to be spreading from Greece to Spain, membership for Estonia might seem more curse than blessings. There had been speculation that countries might abandon the single currency. And some doubt Estonia is even ready for the move. “Maintaining low inflation rates in Estonia will be very challenging”, the European Central Bank had warned with economic output of about $17 billion, the Estonia economy is tiny. Membership is also an important signpost that a country is on the way to achieving western European standards of living, an important goal for a former Soviet Republic like Estonia that has long been among the Baltic states eager to develop.

General Government more over, public debt in Estonia at 7.2% of GDP is tiny compared with the most other countries in the bloc and the accession of Estonia will do little to erase the chief criticism of the Euro project: that European nations are too Economically desperate to maintain supranational institutions like a single currency in the long term. Price stability is one of the main criteria for admission to the Euro club.

### GENERAL GOVERNMENT DEBT AS A % OF GDP

<table>
<thead>
<tr>
<th>Name of the Country</th>
<th>Debt % (in percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>175.5</td>
</tr>
<tr>
<td>Italy</td>
<td>132.2</td>
</tr>
<tr>
<td>Portugal</td>
<td>127.2</td>
</tr>
<tr>
<td>Ireland</td>
<td>110.5</td>
</tr>
<tr>
<td>Cyprus</td>
<td>107.5</td>
</tr>
<tr>
<td>Belgium</td>
<td>105.8</td>
</tr>
<tr>
<td>Spain</td>
<td>98.1</td>
</tr>
<tr>
<td>France</td>
<td>95.5</td>
</tr>
<tr>
<td>Austria</td>
<td>87.0</td>
</tr>
<tr>
<td>Slovenia</td>
<td>82.2</td>
</tr>
<tr>
<td>Germany</td>
<td>74.5</td>
</tr>
<tr>
<td>Malta</td>
<td>71.0</td>
</tr>
<tr>
<td>Netherlands</td>
<td>69.7</td>
</tr>
<tr>
<td>Finland</td>
<td>59.8</td>
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<tr>
<td>Slovakia</td>
<td>54.1</td>
</tr>
<tr>
<td>Lithuania</td>
<td>41.3</td>
</tr>
<tr>
<td>Latvia</td>
<td>40.0</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>23.0</td>
</tr>
<tr>
<td>Estonia</td>
<td>9.9</td>
</tr>
</tbody>
</table>


According to economists, the preparation to join the Euro Zone created some disadvantages for Estonia compared with neighboring countries, which have enjoyed a relative degree of flexibility by hanging on longer to their legacy currency for now that Estonia is joining the Euro zone the most immediate advantages are likely to include greater interest from foreign investors and lower borrowing costs for both the public and private sectors.
Not Every One Ready: Though, Estonia made a bold move, the attitude to Euro adoption is more skeptical in Poland, Hungary and other Eastern European states. These countries have all promised to join the Euro zone one day but want to see how the debt problems of Portugal, Italy, Ireland, Greece, and Spain are solved. These economies are now caught in a Euro trap. The boom years swelled their labour markets and their public finances. Now the bust leaves them uncompetitive and with a major debt hangover. Denmark and the United Kingdom obtained special opt-outs in the original Maastricht Treaty.

Both countries are legally exempt from joining the Euro Zone unless their governments decide otherwise, either by parliamentary vote or referendum. The current Danish government has announced plans to hold referendum on the issue following the adoption of the treaty of Lisbon. Sweden gained a defect opt-out by using a legal loophole. It is required to join the Euro Zone as soon as it fulfills the convergence criteria, which include being part of ERM II for two years: joining ERM II, is voluntary. Sweden has so far decided not to join ERM II.

Enlargement: Before joining the Euro Zone, a state must spend two years in the European Exchange Rate Mechanism (ERM II). The remaining currencies are expected to follow as soon as they meet the criteria. The 2008 financial crisis increased interest in Denmark and initially in Poland to join the Euro zone, and in Iceland to join the European union, a precondition for adopting the euro. Since Latvia requested help from the IMF, as a precondition, it may be forced to drop its currency peg. This would take Latvia out of ERM II and possibly move the Euro adoption date even further from 2013 than currently planned.

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