UNIT 7 ECONOMIC AND MONETARY UNION (EMU)

Structure

7.0 INTRODUCTION

The importance of regional economic integration is growing fast in the contemporary world. Earlier, the term was used to refer to any form of cooperation in international economic relations. Later, it was used mainly by trade economists to describe the amalgamation of separate economies into larger groups of free trade regions. In contemporary debates, the term "economic regionalism" is used to describe discriminately the removal of trade barriers between two or more nations with the establishment of certain elements of economic cooperation.

How this process of economic integration has taken place in EU and how it is functioning is discussed in this unit.

7.1 OBJECTIVES

After studying this unit, you would be in a position to:

- explain different forms of economic regionalism;
- describe the background, different stages and institutional framework of the EMU;
- understand the advantages of a single currency in Europe;
- appreciate the international role of the Euro; and
- understand implications of the Euro for India.

7.2 ECONOMIC INTEGRATION

In practice, economic regionalism is understood as a process of deepening economic integration as shown in Table 1. It is a process, which can take place in various forms according to the degree of cooperation between member states. It ranges from a free trade agreement, a customs union, a common market, an economic union to a political union.

In the last fifty years, various forms of economic integration have been proposed and implemented in all parts of the world. However, it is in the last fifteen years that these arrangements have burgeoned. Along with World Trade Organization (WTO) led multilateral trading system, the global trading scene is also increasingly dominated by a complex network of regional trading arrangements. Earlier, "economic regionalism" was normally seen as an economic cooperation between geographically contiguous regions. Recent years, however, have seen many cross regional bilateral agreements. Many countries which traditionally remained outside of these arrangements have also joined some of these groupings. Academic debate on regional economic integration in the last fifteen years has been concentrated mainly on characterizing them either as "building blocks" or "stumbling blocks" to trade liberalization. In other words, debate has been whether regional integration complements globalization or contradicts it. Some scholars argued that these arrangements are obstacles to a multilateral trading order. Other felt that "new regionalism" is fundamentally different from "old regionalism". It is asserted that these arrangements facilitate members' participation in world economy rather than withdrawing from it.

Table 1: Stages of Deepening Regional Integration

DEPTH OF INTEGRATION	**Trade Liberalisation**	**Common Commercial Policy**	**Free Movement of Factors**	**Common Monetary & Fiscal Policy**	**Common Government**
Free Trade Agreement	⇨				
Customs Union	⇨	⇨			
Common Market	⇨	⇨	⇨		
Economic Union	⇨	⇨	⇨	⇨	
Political Union	⇨	⇨	⇨	⇨	

Source: Adapted from Brigid Gavin and Luk van Langenhove "Trade in a World of Regions" in Gary P Sampson and Stephen Woodcock, ***Regionalism, Multilateralism and Economic Integration: The Recent Experience*** (Tokyo. UN University Press, 2003).

7.3 ORIGINS AND BACKGROUND OF THE ECONOMIC AND MONETARY UNION

The most influential and significant example of regional economic integration is the EU, which has developed from a Free Trade Area to a full-fledged Economic and Monetary Union (EMU). Sometimes, EMU is misinterpreted to mean European Monetary Union. It is not just currency but also economic policy that is pooled and coordinated. As we will discuss later, EMU has three stages, of which only the third one means the adoption of a common currency.

The Treaties of Rome (1957) were signed with the objective of a "ever closer union" between the peoples of Europe. Although the free movement of goods, services, capital and people was one of the major goals of these treaties, many barriers to free movement still existed until the early 1980s. The Cockfield Report (1985) recognized over 280 remaining physical, technical and fiscal barriers to the completion of the Single Internal Market. To tackle the issue, the European Commission enacted the Single European Act in 1986, which sought to create a Single Market by removing barriers to trade and thereby generated pressures for further economic integration.

In current literature, EMU is the name given to the outcome of (partly) still on-going process of harmonising the economic and monetary policies of the Member States of the EU and to the introduction of a single currency, the Euro. Monetary integration essentially means exchange rate union and capital market integration. It could be achieved even without the existence of a single currency if member countries have ***permanently*** and ***irrevocably*** fixed exchange rates among themselves. In practice, it would mean harmonization of monetary policies, a common pool of foreign exchange reserves and a single central bank.

In order to purchase goods and services of other countries, investors and consumers buy their currencies. Since different countries use different currencies, there is a need for an *exchange rate* which is essentially 'the domestic price of a unit of foreign currency. Theoretically, there are two extreme types of exchange rates viz. *absolute fixed exchange* rates and *floating exchange rates*. The absolute fixed exchange rate is the situation in which countries do not allow the external value of their currencies to vary at all. The national governments will intervene in the foreign exchange markets to maintain the existing constant exchange rates. In the floating exchange rate, the idea is that the market forces would prevail in foreign exchange market, and achieve an automatic balance of payments. It means that the governments do not intervene in the foreign exchange markets. In reality, however, most arrangements in the world lie between these two extremes.

7.3.1 Formation of EMU

Till 1971, monetary arrangements in the European Economic Community worked under the Bretton Woods System (BWS). The BWS was an international monetary framework of fixed exchange rates, mainly drawn up by the United States. and Britain in 1944. The main features of the system were an obligation for each participating country to adopt a monetary policy that maintained the exchange rate of its currency within a fixed value – plus or minus one percent – in terms of gold. The International Monetary Fund would bridge any temporary imbalances of payments. In practice, it meant that there was a fixed exchange rate, with all currencies anchored to the US dollar. The US dollar had parity with gold (1 ounce of gold = 35 $US). It also meant that the US dollar could be converted into gold any time. To maintain parity with the dollar, all central banks kept reserves in US dollars. The system worked well for some time but later expansion in monetary transactions, the emergence of pluralistic economic power and worsening US trade deficit, etc. created many structural imbalances. The system finally collapsed following the US suspension of convertibility from dollars to gold in August 1971.

Following the collapse of the Bretton Woods System, the member states of the EEC along with the UK, Ireland, Denmark and Norway agreed to maintain a stable exchange rate against each other by preventing fluctuations of more than 2.25 per cent against the dollar. This arrangement was called "European Snake in the tunnel" because the Community currencies floated as a group against outside currencies such as the dollar. The oil crisis, weakness of the dollar and other events hampered exchange rate stability and within two years the Snake was reduced to the German, Benelux and Danish currencies as the British Pound, Irish Punt, Danish Krone and Italian Lira left the arrangement.

During these unstable times, the European Summit in 1969 turned the EMU into an official objective. The Werner Report of 1970 envisaged three stages of EMU to be completed in ten years. These plans, however, did not become a reality because of considerable international currency unrest in the early 1970s and the global recession in the wake of first oil crisis of 1973.

The creation of the European Monetary System (EMS) in 1979 was another important step. Although it was not a monetary union, yet it promoted greater stability between the Member States' currencies and a better co-ordination and convergence of their economic and monetary policies. The main components of the EMS were the European Currency Unit (ECU), the European Monetary Cooperation Fund (EMCF) and the Exchange Rate Mechanism (ERM).

The ECU worked as a unit of account for transactions between different EC governments and organistaions. It was a nominal currency made up of a basket of EC currencies. It was not a legal tender and did not exist in notes. Its value was calculated as a weighted average of the value of its component currencies. The weight was fixed at a percentage determined by the country's gross national product and share of inter-EC trade. The EMCF was estbalished in 1973 in order to facilitate transactions between EC member states. Participating countries deposited 20 per cent of their gold and dollar reserves to the Fund in return for ECUs for the same value.

The Exchange Rate Mechanism was a mechanism for reducing fluctuations in the relative values of the member currencies. It gave participating currencies a central exchange rate against the ECU. That, in turn, gave them central cross-rates against one another. The mechanism gave participating currencies an upper and lower limit on either side of this central rate within which they could fluctuate. The whole system was operated on the basis of mutual support and collective action. It was expected that ERM would help stabilize exchange rates, encourage trade within Europe and control inflation. At the time of ERM crisis of 1992, it had ten members. Spain joined in 1987, the UK in 1990 and Portugal in 1992. Because of a weak economy, Greece never joined and Luxembourg based its currency on the Belgian Franc. The near collapse of the ERM happened in 1992 when a number of currencies could no longer keep their currencies within the limits. On what became known as Black Wednesday, the British Pound was forced to leave the system. The Italian Lira also left and the Spanish Peseta was devaluated.

7.4 ENTERING THE EURO

In June 1988, the European Council agreed in principle to achieve the objective of the progressive realisation of the EMU. A committee under the chairmanship of the then European Commission President Jacques Delors was established to look into the various stages leading to the monetary union. The committee proposed that economic and monetary union should be achieved in three different steps. On the basis of recommendations of the Delors Report, it was agreed in the European Council in June 1989 that on 1 July 1990 all restrictions on the movement of capital between member States should be aboilished. This was the beginning" of the first stage of the EMU. To establish the required legal and institutional structure for the next two stages, an intergovernmental conference was convened in 1991. These efforts resulted in the Treaty on European Union which was agreed in December 1991 and signed in Maastricht on 7 February 1992. Due to many delys in ratifications etc. , the treaty came into force only on 1 Novemebr 1993. The Mastraicht Treaty stipulated that the countries wishing to adopt the single currency must meet a number of economic criteria. The so-called ***convergence criteria*** included low inflation, sound public finances, low interest rates and stable exchange rates. It was also agreed that they must also ensure the political independence of their national central banks. Specifically, the following criteria were formulated as preconditions for any EU member state joining the EMU:

- A rate of inflation no more than 1.5 per cent above the average of the three best performing member states, taking the average of the 12-month year-on-year rate preceding the assessment date.
- Long-term interest rates not exceeding the average rates of these low-inflation states by more than 2 per cent for the preceding 12 months.
- Exchange rates which fluctuate within the normal margins of the ERM for at least two years.
- A general government debt/GDP ratio of not more than 60 per cent, although a higher ratio may be permissible if it is "sufficiently diminishing".
- A general government deficit not exceeding 3 per cent of GDP, although a small and temporary excess can be permitted

Broadly, the first stage of EMU extended from 1 July 1990 to 31 December 1993. In this stage, all preparatory measures taken prior to the entry into force of the Maastricht Treaty were finalised. This stage of the EMU was characterised by a closer co-ordination of all Member States' economic policies and the progressive dismantling of all internal barriers (with some exceptions) to the free movement of capital within the EU. The second stage of EMU began on 1 January 1994 and extended until 31 December 1998. Under this stage member states were further prepared for adoption of the Euro. The main elements at this stage were the liberalisation of capital movements and payments vis-8-vis third countries in general, the prohibition of monetary financing of the public sector by the central banks, the prohibition of privileged access to financial institutions by the public sector, the avoidance of excessive government deficits and the establishment of the European Monetary Institute (EMI) in Frankfurt. The main tasks of the EMI were to "strengthen central bank cooperation and monetary policy coordination and to make the preparations required for the establishment of the ***European System of Central Banks*** (ESCB), for the conduct of the single monetary policy and for the creation of a single currency in Stage Three". The ESCB is the central banking system of the European Union. It comprises the European Central Bank and the national central banks of all EU members.

Out of the European Monetary Institute, a new European Central Bank was created on 1 June 1998, which took over responsibility for its implementationon 1 January 1999. The Governing Council of the ECB consists of six mebers of the Executive Board plus twelve governors of the national central banks from the 12 Euro area countries. The Governing Council usually meets twice a month. Decisions are generally adopted by simple majority of the members, each having one vote. The main tasks of the ECB are to manage the volume of money in circulation, conduct foreign-exchange operations, hold and manage the Member States' official foreign exchange reserves, and promote the smooth operation of payment systems. The ECB has the exclusive right to authorise the issuance of banknotes within the euro area. The ECB is alsaat the centre of the ESCB.

Stage three of the Economic and Monetary Union started with the introduction of the Euro and the transfer of monetary authority to the European Central Bank on 1 January 1999. In May 1998 itself, an EU summit meeting in Brussels had confirmed that 11 of the then 15 EU Member States – Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland – had met the Criteria for the adoption of the single currency. On 1 January 1999, these countries adopted the Euro as their common currency. Greece joi ed this group of countries on 1 January 2001 after fulfilling the criteria. Sweden did not fulfil all criteria. Denmark and the United Kingdom are "Member States with a special status". These two countries were granted the right to decide whether or not to participate in Stage III of EMU, i.e. to adopt the Euro. They both made use of this "opt-out clause" by opting out of the Euro area. Since Sweden and ten new members have not yet met all the requirements of adopting the Euro, they count as members with "derogation". It means they are exempt from some, but not all, of the provisions which normally apply from the beginning of Stage III of EMU. Like Sweden, the ten new Member States of the EU, which were readmitted on 1 May 2004, have no "opt-out" clauses, such as those negotiated by the UK and Denmark. In other words, by becoming a member of the EU, the ten new Member States have committed themselves to ultimately joining the Euro.

On 1 January 1999, the Exchange Rate Mechanism II (ERM II) was also established. It provides a framework for exchange rate policy cooperation between the Eurosystem and EU Member States that have not yet adopted the euro. Its membership is voluntary and available to only EU Member States. Member States with a derogation are expected to join. In fact, prior to the adoption of the Euro, a Member State has to have its currency in ERM II for two years. The mechanism involves establishing both a central rate for their respective currency's exchange rate against the Euro and a band for its fluctuation around that central rate. It also means coordination with the ECB. Currently, out of 13 non-Eurozone EU members, eight are party to ERM II, namely are Denmark, Estonia, Lithuania, Slovenia, Cyprus, Latvia, Malta, and Slovakia. These countries are expected to join Eurozone in 2007 or 2008. Countries still outside the ERM II are the Czech Republic, Hungary, Poland, Sweden and the UK.

At this stage, a ***Stability and Growth Pact*** (SGP) was also entered into force. The SGP pact was adopted in 1997 and the full provisions took effect on I January 1999. The main concern of the pact is enforcement of fiscal discipline as a permanent feature of the EMU. Other objectives are to safeguard sound government financing as a means of strengthening price stability, growth and employment. Formally, the SGP consists of three elements. (1) a political commitment, by all parties involved the European (commission, Member States, and the Council) to the full and timely implementation of the budget surveillance process. (2) Preventive elements, which aim at preventing budget deficits going above the 3 per cent reference value; and (3) dissuasive elements, which in the event of the 3 per cent reference value being breached, require Member States to take immediate corrective action and, if necessary, allow for the imposition of sanctions. Besides these legal bases, there is also a code of conduct which incorporates guidelines to assist the Member States in drawing up their economic programmes.

Table 2: The Three Stages of Economic and Monetary Union

Stage One **I July 1990**	**Stage Two** **I January 1994**	**Stage Three** **I January 1999**
Complete freedom for capital transactions	Establishment of the European Monetary Institute	Irrevocable fixing of conversion rates
Increased cooperation between central banks	Ban on central bank granting loans to the public sector	Introduction of the Euro
Free Use of ECU (European Currency Unit, forerunner of the Euro	Strengthening of economic convergence	Conduct of the Single Monetary Policy by the European System of Central Banks
Improvement of economic convergence	Process leading to the independence the national central banks, to be completed at the latest by the date of the establishment of the European System of Central Banks	Entry into effect of intra EU exchange rate mechanism (ERM II)
	Preparatory work for Stage Three	Entry into force of Growth and Stability Pact

Source: http://www.ecb.int/ecb/history/emu/html/index.en.html

Although Euro banknotes and coins entered circulation on 1 January 2002, it was already established as an accounting currency on 1 January 1999. A number of preparatory steps were taken between 1 January 1999 and 1 March 2002 (when all national notes and coins were withdrawn). The countries adopting the single currency agreed that the then ERM bilateral rates of participating states would be used to determine the irrevocable conversion rates for the Euro (see Table 3)

Table 3 : Euro Conversion Rates

One Euro Equals:

40.3399	Belgian Francs	13.7603	Austrian Schillings	1936.27	Italian Lira
1.666.386	Spanish Pesetas	5.94573	Finnish Marka	2.20371	Dutch Guilders
0.787564	Irish Punt	1.95583	German Marks	200.482	Portguese Escudos
40.3399	Luxembourg Francs	6.55957	French Francs	340.750	Greek Drachma

Other preparations included the denomination of all public debt in Euros; having all operations of the ECB in Euros; having wholesale financial and capital markets use of the Euro; denomination of private bank accounts in Euros; making Euro-denominated credit cards available and making payments in Euros possible on existing credit cards; having public administrations in the Euro countries allow companies to use the euro for accounting purposes, tax payments, and in some cases, social security payments; and dual pricing (in national currencies and Euros) to help the general public adapt to the Euro.

7.5 ADVANTAGES OF THE EURO

In Europe, putting the single currency in place aimed to achieve several objectives. First, it aimed to make Europe more competitive and dynamic as well as to create employment and growth within the participating countries. The microeconomic efficiency gains are expected to arise from the elimination of exchange rate uncertainty and transaction costs within the Union, thereby stimulating trade within the EU and leading to a permanent increase in output. Similarly macroeconomic efficiency gains are expected to arise both from the elimination of intra-EU exchange rates and from greater discipline in monetary and fiscal policies, which will lower the risk primea built into interest rates and thus lead to higher investments. Secondly, the aim is to establish a stable currency bearing an international weight comparable to that of the US dollar and Japanese Yen.

Since the Economic and Monetary Union was constructed on the rules of good economic management, it was expected to contribute to economic growth. Therefore, it was thought that companies throughout the world, not only those in Europe, may benefit in the context of European growth. The introduction of the Euro may also contribute to the stability of the international monetary system. Taking into account the economic characteristics of the Eurozone, its size and integration of its financial markets, the new European currency is definitely going to become a major player in the international currency markets. At the global level, the Euro presents two major benefits. It would lessen the effect of international currency fluctuations on Europe as a whole. Secondly, it may bring about a progressive decline in the international domination of the US dollar. There could also be greater internationalization of European economic policies. Major benefits of Euro as outlined by the European Commission are outlined in the following table:

Some scholars, however, have criticised the process because they feel that there will be loss of national sovereignty over monetary affairs. Because of strict agreements like the Growth and Stability Pact, governments will not be in a position to insulate their economies from adverse economic conditions. They also feel that this will divide the EU into "insider" and "outsider" countries. Similarly, with the entry of relatively less developed new members, the EU economies are too dissimilar for strict common policies like the EMU.

Table 4: Benefits of the Euro

Practical Benefits for Citizens

- Euro zone citizens can use their own currency within the euro zone
- Being an international currency it is accepted everywhere

Broad Macroeconomic Framework Benefits

- Price stability
- Sound public finances
- Low interest rates
- Incentives for growth, investment and employment
- Shelter from external shocks

Single Market

- Elimination of exchange rate fluctuations
- Better decision-making due to reduced uncertainties
- Elimination of the various transaction costs (hedging operations; cross-border payments; management of several currency accounts, etc.
- Price transparency:
- Enhanced competition:
- More opportunities for consumers:
- More attractive opportunities for foreign investors

Single Financial Market

- Single market for financial operators (i.e. banks, insurers, investment funds, pension funds, etc.)
- For private and corporate borrowers better funding opportunities
- Savers benefit from a wider and more diversified offer of investment and saving opportunities. Investors could spread their risks more easily

Europe's Role in the World

- Strengthens Europe's role in international organisations like the IMF, OECD, the World Bank
- Important role as an investment and reserve currency
- Use of the Euro in international trade
- The option of pricing goods and commodities (like oil and metals) in Euro.

Political Integration

- Symbol of common identity, shared values and the success of European integration.
- Stimulus to further integration

Source: Adapted from Euro website of the European Commission

7.6 THE EURO IN THE WORLD ECONOMY

Even before the Euro was introduced, many studies suggested that that it was destined to become one of the leading international currencies. The reasons were manifold. First, the Eurozone economies constituted an economic size comparable to the US and much bigger than Japan. Secondly, the Eurozone was also one of the largest exporters and importers of goods and services. Thirdly, the stability-oriented economic policy frame in the EU was going to make the Euro an attractive currency. Finally, it was also going to inherit the international role from some of its leading "legacy currencies" in particular the Deutsche Mark.

Table 5 summarises the standard use of any international currency based on the three major classical functions of money viz.. *a store of value, a medium of exchange and a unit of account* in the international arena, both by the private agents as well as by public sector officials.

Table 5 : Functions of an International Currency

	Private Sector	**Public Sector/Government**
Unit of account	Invoicing trade and financial transactions; quotations of commodity prices	Anchor or reference currency for exchange rate regimes
Means of exchange	Payment currency; vehicle currency in foreign exchange markets	Official intervention in foreign exchange markets; official financial flows
Store of value	Investment and financing Currency	Foreign exchange reserve currency

Source: EMU:: The First Two Years, Euro Papers No. 42 (Brussels: European Commission, 2001).

If we evaluate the role of the Euro on the basis of above-mentioned standard functions of an international currency, we find that its influence is increasing, although not necessary at the same pace in all the areas. According to many studies conducted by the European Central Bank, the international role of the Euro has grown gradually in the last five years. Still, it is most prominent in the regions close to euro zone areas. It has grown very significantly in the international debt and loan markets. It is also developing gradually in the international trade and foreign exchange markets and has also inherited the role played by its legacy currencies. It's role as a reserve currency has improved marginally. Still, in Asia and other developing countries, the US dollar continues to be used as a prominent international financing currency, as a settlement and invoicing currency and a reserve currency.

In the international debt markets, debt securities denominated in euro account for around 31 per cent of the total stock of international issues. The largest share, however, came from European entities in the vicinity of the Euro area only. A similar trend is visible in the international loan markets and deposits. There has been remarkable increase in the use of the Euro as a financing currency in international bond markets. In the foreign exchange markets worldwide, the Euro was the second most actively traded currency in 2004, which accounted for 37 per cent of foreign exchange transactions. In international trade, the share of the Euro has seen a notable increase in a number of Euro area countries. In Euro area countries, the use of the Euro is more widespread in the case of exports than in the case of imports. There is also increase in the use of the Euro in trade by new Member States of the European and candidate countries. The role of the Euro as an anchor currency in third countries (outside the Euro area) is also significant. Out of about 150 countries listed by the International Monetary Fund as countries with independent floating, more than 40 countries are using EURO either as sole anchor or as a reference currency. Close analysis of these countries, however, reveal that most of these countries are either geographically very close to the Euro area or they have established very special institutional arrangement with Eurozone countries. The share of the Euro in global official foreign exchange reserves has increased from 16.3 per cent in 2000 to 19.7 per cent in 2003. As an intervention currency, the Euro was also predominantly used in Euro area neighbouring countries.

7.6.1 The Euro and India

Since the European Union is India's leading commercial partner and a major source of investment and technology transfer, the performance of Eurozone economies and the Euro is bound to have a significant impact on Indo-European trade and other economic relations. Earlier, about 80-85 per cent of India's foreign trade was invoiced in dollars. There are some indications of the changes in favour of the Euro, particularly in India-EU invoicing. The impact is very mild because the UK still has not joined the Eurozone and two of India's major import items, viz. oil and fertilizers, are still denominated in dollars. Before the launch of the Euro, it was expected that the important impulse for closer trade links between Europe and India would result from positive economic forces set free by the Euro. So far weak economic growth in the Eurozone economies has affected more than some positive implications from the success of the Euro. The strengthening of the Euro in 2003-2004 generated new interest in India. The Euro was declared as an additional currency for intervention. There is a possibility that there might have been some increase in Euros in India's US$ 143 billion foreign exchange reserves. In the short run, implications of the Euro for the Indian economy and business seems to be positive, albeit very limited. In the long run, factors such as the emergence of the Euro as a stable international currency as well as growth and price stability in the Eurozone are going to open up many new opportunities for Indian economy and individual businesses. The Euro may also help India in rejuvenating its trade economic relations with the countries of Central and Eastern Europe. The success story of the Euro may also lead to a single Asian/South Asian currency.

7.7 SUMMARY

In the last sixty years, countries of the EEC/EU have experienced different monetary arrangements, viz. Bretton Woods System, the Snake in the Tunnel, European Monetary System and Economic and Monetary Union. After many attempts, Economic and Monetary Union was finally realised in the 1992 Maastricht Treaty. It provided a road map for the unification of the currencies of EU member States. Progress towards EMU took place in three different stages. Countries wishing to adopt the Euro were required to fulfil the convergence criteria. In 1999, eleven countries adopted the Euro. Greece joined later. Circulation of the Euro started on 1 January 2002. The UK and Denmark did not participate in the third stage of EMU while using the "opt-out clause". ERM II provides a framework for exchange rate policy cooperation between the Eurosystem and EU Member States that have not yet adopted the Euro. Since its launch, the role of the Euro has grown very significantly in the international debt and loan markets as well as in the international trade and foreign exchange markets. So far its implications for the Indian economy seem to be positive, albeit very limited. In the long run, it may open up many new opportunities for Indian businesses.

7.8 EXERCISES

- What are the different stages of regional economic arrangements?
- Describe different stages of Economic and Monetary Union.
- Discuss some major advantages of a single currency in Europe.
- Write an essay on the international role of the Euro.
- What are the major implications of a single currency in Europe for India?
- Write short notes on

  1) Bretton Woods System.
  2) European Central Bank.
  3) Exchange Rate Mechanism (ERM) II.
  4) Growth and Stability Pact.

7.9 REFERENCES AND READINGS

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