

# Euro zone advantage and disadvantages



It is still in the mind of the people that should UK join the Euro Zone or not and what would be happen if it don't join or join. Global financial cause started in August 2007 gave a strong argument for the United Kingdom to join the EMU and assume the euro quickly as technically. " Britain's hopes to play a leading role in the EU, to shape EU agendas and to influence the course of important negotiations this may be undermined by lack of commitment to the EMU project."[3]

Joining Euro increase in money and improve living standards. France and Germany has derived to extra access to the market and have achieved the same productivity as US did per hour worked. Now these countries can afford hospital, education and railway which can aspire to. The others countries have started using a common currency in the Euro to raise economy and if UK again delays in joining it would be a risk fall for it. The problem in joining is that we could not set our rates and have to rely more on budget as UK got shocked by economy. However poor prediction in past could not become the accessing of current arguments on future.

" Beginning with the pros and cons, then considering the issue of " why not wait and see", and finally looking at the mechanics of entry."[3] Advantages of joining Euro Zone: 1) UK most of the companies are thinking to the proportion of abroad buy and sell, decreasing of foreign exchange risk. The Euro has had an optimistic influence over UK MNCs, a lot of firms understanding a reduction in currency i. e. companies trading in the euro-zone while using the " Euro would no longer face currency fluctuations. " It's been estimated that companies worldwide expect to save 65\$ billion a year, before the introduction of the euro it was estimated that Europe spent \$13

billion in intra-EU currency conversions". ( Eilidh Christie and Andrew Marshall, 2001)

2) Be a part of a big monetary union like the Euro Zone, would increase in huge wealth stability status of the UK economy. 3) One single European market - lacking of trading cause in stopping - should good for the UK as it manufacture quality goods and services. 4) Europe union could believe of difficult that the USA is in present new markets, like, China. 5) Investment and jobs will grow with Europe membership and will help the investors to think about investment and face of risk because of future unstable currency rates. Still now internationally investment is on high because firms consider that Greater Britain would join Euro Zone and if they fail then investment could plunge.

" We all know how anxious the Japanese are to be courteous and never to give offence, but Japanese businessmen are now increasingly blunt about the need for Britain to join. As Mr Hiroshi Nemichi, chairman of Mitsubishi Corporation (UK) plc says: "If Britain was to rule out membership of the single currency, as the anti-Europeans seem to want, Britain would be less attractive to inward investors." 6) South Wales and the North West would poorly hit if overseas investors goes to the Euro Zone than Britain, yet this is expected if we rule out Euro entry.

" UK controls over the EU financial policy. Joining Euro, Bank of England governor will have a seat on the board of ECB and will be involved in making monetary decisions." Disadvantages: 1) The UK fear to join Euro Zone, will over rule in financial policy manage its national economy. " The SGP (The

Stability and Growth Pact) as a binding constraint on national budgetary policies." [1] 2) " The UK is already a big player on the international scene: G7, UN Security Council, NATO A single interest rate will not allow it to respond to economic fluctuations (at present, spend too much, the rate goes up). 3) " Price of withdrawal. If UK decided to withdraw from EU membership, it would be fined for that. So, Britain could end up continuing to pay into the EU budget for some time as part of a deal." [4]

## References:

[1] Eilidh Christie and Andrew (2001), " The Impact of introduction of the euro on foreign exchange risk management in UK MULTINATIONAL companies", Marshall, European financial Management, (Volume) 7(3): (pages) 419-434.

[2] Willem H. Buiter, (2008), " DEBATE Why the United Kingdom Should Join the Eurozone", International Finance Blackwell Publishing, (Volume) 11(3) (Pages) 269-282