

# INTRODUCTION

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Regionalism is a reality of modern-day international relations, in which nations of different shapes and sizes develop a common platform for the furtherance of their national interest. A nation can be described as a group of people who shares common history and heritage, literature, common customs and lifestyle. Nations seem so compelling, so real, and so much a part of the politics and cultural landscape that people think they have lasted forever.

Benedict Anderson described the nation as an *imagined community* with two major arguments. “One because the member, *of even tiniest state, will never know most of their fellow citizens, meet them, or even heard of them*, and it is imagined as a community, because, *regardless of the actual inequality and exploitation that may prevail in each the nation, is always conceived as a deep, horizontal comradeship.*”<sup>1</sup>

For Anderson, capitalism, with its continuous expanding technological advancement, paralleled by the ever-increasing usage of vernacular language, precipitated the creation of a prototype of modern nation. “*He argues that only under the condition of print- capitalism and growing usage of vernacular can people be mobilized in their ethnic and national self-identification into a nation, which he terms as a form of imagined political community.*”<sup>2</sup>

This very much concept of nation further leads to regional cooperation integration. Regionalism makes a new platform of economic as well as political benefits. The process of liberalization and economic integration facilitates the further cooperation among states/ nations.

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<sup>1</sup> Beeson, Mark and Bisley, Nick (2013), *Issues in 21<sup>st</sup> Century World Politics*. Palgrave Mcmillan, p. 212.

<sup>2</sup> Barabantseva, Elena (2017), “*How do people come to identify with nations?*”, in Edkins, Jenny and Zehfuss, Maja (eds) *Global Politics*, A New Introduction Routledge, p. 257.

## 1.1 Regional Cooperation

Regionalism has become an important feature of international affairs in the twenty-first century. The term regionalism is often used to refer to the 'growth of social integration within a region and the often undirected process of social and economic integration. Such a process produces interdependence and may also constitute a deepening perception of common interests and identity. There are different types of regional cooperation. For example, functionalists refer to it as an arrangement that is agreed among states in order to work together. Political cooperation refers to commitment and support regarding the implementation of certain agreed values and practices within countries. Economic cooperation refers to as cooperation among nations that foresee some degree of commercial preferentialism.<sup>3</sup>

It was after the Second World War that a number of the regional project were being negotiated and enacted across the world. The creation of MERCOSUR, North American Free Trade Area (NAFTA), South Asian Association for Regional Cooperation (SAARC), Association of South-East Asian Nations (ASEAN), African Union (AU), European Union (EU), the Eurozone are some of the examples of regional cooperation. After 1990's more regional economic arrangement has been negotiated. European Union can be considered a successful bloc of regional cooperation, Economic globalization is one of the most important features of international political economy yet regionalism has also been growing. It was due to regional cooperation that the world economies have come closer than before.

Regionalism has also provided a new platform to achieve economic benefits. Liberalization of trade and economic integration has increased the intra-regional or inter-regional trade across brooders.

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<sup>3</sup> Best Edward and Christiansen Thomas (2011) *Regionalism in International Affairs*, in Baylis, John. Smith, Steve and Owens, Patricia (eds). *The Globalisation of World Politics: An Introduction to International Relations*, Oxford University Press, London p. 430.

## 1.2 European Union

Europe participated in two World Wars which devastated the region's economy and left only one option before the European leaders, to work together. As the process of regional cooperation is concerned, European Union can be a very good example in this regard.

Political leaders from different nationalities, culture and ideologies that were unknown to each other began to think of European unity. The Idea of European unification has been passive but at the same time widespread enough to assure the political leaders of European unification cause that the numerous and difficult obstacles they have to face do not include popular hostility or even public apathy misunderstanding.<sup>4</sup>

The six nations i.e. Belgium, France, the Federal German Republic, Netherlands, Luxembourg, and Italy were the founding members of the European Union. The aim of the six nations was at that time, to form a common market. In a big step forward, toward the common Union in 1952 'European Coal and Steel Community' was formed. All had been according to Robert Schuman plan, the French foreign minister, however, Britain stayed away.

The planning of the European Defense Community (EDC) was also on the table, but it failed due to France because the French Assembly did not ratify the EDC treaty. At the Messina Conference (Italy) the founding six countries agreed to integrate the European community further. For this purpose, the treaty of Rome came into force, and two new institutions were set up, the 'European Atomic Energy Community' (EURATOM) in 1957 and the European Economic Community (EEC). The main purpose of establishing the EEC was to form a common market within European countries. It was to be a common, goods, services, capital and labour would circulate freely between the member states, there would be common external tariff and common policies would be agreed in a at economic areas.

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<sup>4</sup> Spinelli Altiero (1966) "*The Eurocrats: Conflict and crisis in the European Community*", The John Hopking Press, Baltimore. p. 3.

The European Parliament has the power to revise and reject any decision. From the 1970s European council composed of the Heads of the State or government assumed a prominent role in decision making. By the end of the Cold War, the scope of the economic integration had expanded progressively and social and economic policymaking was increasingly occurring at the European level. In between the time, more countries joined the European community. Denmark, Ireland and the United Kingdom in 1973, Greece joined the community in 1981.<sup>5</sup>

The problem with this view is that the very expansion of EU membership has increased the EU's influence on global affairs, with the European Union increasingly viewed as having significant role in securing stability and peace outside its borders.

In the 1960's France had a great influence on the community's affairs. Such influence could be seen when France vetoed Britain's decision to attempt for the membership in the European Community. Actually, Britain's decision to seek membership of the community was due to its declining power and influence. But the process of enlargement was not according to expectations towards integration through the 1970s due to instability in the international economy meant that member states were not interested in deepening European integration. However, in 1979 the European Monetary Union (EMU) was created to coordinate the economic policies.

By the 1980's Europe faced a tough challenge in the economic sphere by the United States and Japan. So the European leaders were agreed for a Single European Act (SEA). SEA extended the scope of the community in environmental social and technological and also made changes to the institutional and decision-making framework. It also strengthens the power of the European Parliament. The inks hardly dry on the Single European Act, as the leaders of the EC, were thinking of community activities into other policy areas. Now the question was how to make a single market? The single market would allow the free movement, services, goods and capital across the member states. So the background of the European Monetary Union was formally prepared. In 1992 "Maastricht Treaty" was signed in which the provision of a single

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<sup>5</sup> Smith, Karen. E. (2014), "*European Union Foreign Policy in a Changing World*", Polity Press, UK. pp. 23-24.

currency was laid down, and it also enhanced the power of the European Parliament. From time to time, the membership of the European community has been increased. The European Community has been replaced with the new name European Union according to the 'Maastricht Treaty'. Further, the Treaty of Amsterdam and the Treaty of Nice were important for the enlargement of the EU. Though, the treaty of Amsterdam failed to address the institutional issues within EU.

In among the debates on the institutional design of the EU, the single currency successfully started operation on 1 January 2002. The new currency is called the Euro. Britain, Denmark, and Sweden did not seek to join the single currency for a number of reasons. Copenhagen criteria emphasized some norms for an applicant state, guaranteed human rights, market economy, and governments to be able to adhere to the economic, political and monetary obligation.<sup>6</sup>

After the enlargement of 2004, the leaders of the European Union felt serious to reform the institutional and decision-making structures. For this purpose, a *convention on the future of Europe* was proposed. The outcome of the meeting was to bring a new treaty. The new treaty was Lisbon treaty that was signed in 2007 and came into force in 2009. The Treaty proposed a new post of EU President that was to be elected by the heads of government, and a new post for EU Minister for Foreign Affairs was created.

### **1.3 Statement of the Problem**

Global financial/debt crisis is not a new phenomenon and it happened in the world from time to time. For example, in 1340 England defaulted due to its external debt, in 1637 similar phenomenon happened in the Netherlands. In the year 1929-30, the world faced a Great recession and again financial crisis, which began in 2007-08, holds the grip of the world's major economies. The genesis can be traced in the United States with the failure of Lehman Brother, a global financial firm. However, the crisis and its aftermath affected the European Union, particularly the Eurozone, even more than it did in the United States.

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<sup>6</sup> Blair, Alasdair and Curtis, Steven (eds 2013), "*International Politics: An Introductory Guide*", Edinburgh University Press, London, pp. 280-281.

The crisis affected the Eurozone's economies mainly, Greece and after that, the crisis slowly disseminates among peripheral countries like Spain, Portugal, Italy, and Ireland. A French financial institution, BNP Paribas, terminate three of its investment funds owing to the US subprime crisis. It was the first sign of trouble that came from France, that all is not well. After the publication of the report, it was clear that several European banks have been victims of the US subprime crisis. However, the reasons for the crisis are not limited to that actually; these Eurozone countries have invested heavily in the United States.

Euro, the common currency for the Euro area, was launched, 1999 after several rounds of negotiation among member states. Finally, the Euro notes and coins were introduced on January 1, 2002. With the adoption of the common currency, the Euro, the notion of Economic and Monetary Union became operational. Spain, Ireland, Italy, and Portugal voluntarily adopted the Euro in the year 1999 while Greece in 2001. By adopting the Euro, each country has to relinquish its domestic monetary policy. European Central Bank is the sole authority which formulates monetary policies for the Euro area. Some rules regarding public debt and budgetary deficit have been mentioned in the Stability and Growth Pact enacted in 1997. The total liability of a member of the Euro-area country should not exceed 60 percent of its total GDP of Gross Domestic Product. The budgetary deficit should not be greater than 3 percent of the GDP.

The budget deficit of **Greece** increased from 6.4 percent to 15 percent of GDP between 2007 and 2009. Total Debt GDP ratio was 180 percent. Irish bank has also invested heavily in the real estate sector that fuelled an unprecedented property bubble. In 2008, the foreign indebtedness of Irish banks rose to 60 percent in 2008. The case of Portugal was also related to real estate boom whose current account deficit rose to 12.6 percent in 2008. Its public debt increased unrelentingly to 100 percent of its GDP in 2011. In Spain, it was the private sector that fuelled the housing boom, thus creates a problem, simultaneously, the level of demand increased even

faster than the growth of real GDP.<sup>7</sup>This increased demand led to Spain's current account deficit. Huge inflow of capital that financed the real estate boom increased the foreign debt in Spain. The household that increased in Eurozone from 50 percent to 70 percent from 1999 to 2008 before the crisis hit the countries. The Euro area governments pursued expansionary and monetary policies to counter the liquidity crisis. High unemployment, inefficient and corrupt bureaucracies, tax evasion, served to increase, these national budget deficits.

In order to save the ailing economies of the Eurozone, the European Union had to come forward with rescue measures, Greece, Spain, Portugal, Ireland received bailouts but with austerity. They had to comply with strict austerity measures. Some important emergency measures were also introduced. The crisis had its political consequences too. Election was held in Greece in 2015, leftist, 'SYRIZA' party came into power. The demand for political overhaul also raised in other affected countries.

Eurozone crisis has its global repercussions. As the Eurozone is an attractive market for the United States, India, Japan, and China, the impact on these economies is evident and they also faced the heat of the Eurozone Crisis. Indian companies have a significant presence in the Euro area. The 19 nation bloc of Eurozone contributes around 14.6 percent of India's export. There are certain sectors which got impacted by the crisis. The present research "EUROZONE CRISIS AND ITS IMPACT ON INDIA" is an attempt to analyze the Eurozone crisis, its causes, and its impact on India. Simultaneously the Eurozone, the epicenter of the crisis, would also be analyzed.

## **1.4 Universe of the Study**

The group of 19 members<sup>8</sup> states called the Eurozone. From west to east and north to south with a total population of 340 million people, Eurozone consists of the member

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<sup>7</sup> Hubner, Kurt, (2013)*Eurozone: Creeping Decay, Sudden Death or Magical Solution?* in Laursen, Finn (ed). "The EU and the Eurozone crisis: Policy challenges and strategic choices, Ashgate, London.

<sup>8</sup> The 19 member state of Eurozone are, Austria, Belgium, Cyprus, Estonia, France, Finland, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Malta, Portugal, Slovenia, Slovakia, and Spain.

states from most parts of Europe. At the initial stage, only 11 European Union member states qualified to join the Eurozone in January 1999. The number of Euro area members may increase in the future once they meet the criteria to do so. Some countries of Europe like Kosovo and Montenegro unilaterally adopted the Euro currency but they are not the part of the Euro area. These countries also do not represent the European Central Bank. European Central Bank (ECB) is the sole authority who governs the monetary policy for the Eurozone. The principal task of the ECB, is to keep the inflation under control. The 'Eurogroup' which consist of the finance ministers of the Euroarea, facilitates coordination of economic and financial policies.

Since 1960, it was the sole ambition/dream of the European leaders to have an Economic and Monetary Union. The weakening of the Bretton Woods agreement, the collapse of the gold/ dollar exchange rate system, shook the confidence of world leaders in these mechanisms. The dollar crisis, thus, reverberates in the European corridors of power.

The 20<sup>th</sup> century witnessed the continued efforts of the European leaders towards the direction of European economic integration. It was the first attempt towards this direction in 1957 when the European Economic Community came into force by signing the Rome treaty. The European Economic Community also known as Common Market. To achieve the dream of EMU by 1980, a committee was setup under Pierre Werner. Within the time span of ten years, a three-stage process was set up. In 1979, the European Monetary System (EMS) was launched which maintained a balance of monetary policies between EU countries and it operated for over a decade. The success story of EMS boosted the confidence of European leaders and further gave impetus for a European Monetary Union. A committee was set up under, Jacques Delors, the President of the European Commission, which presented its report on how EMU could be achieved. The new treaty of the European Union agreed. The Maastricht Treaty replaced the earlier known European Community.

The Maastricht Treaty laid down criteria that are known as 'convergence criteria'. Each member state, who wish to join the Euro area would have to fulfill certain

criterion. The Stability and Growth Pact of 1997 proposes that a member state would have to abide by some rules once its entry into the EMU. After a decade long negotiation, 'the Euro' finally became a reality in 1999, which came into force in 2002.

## **1.5 Theoretical Framework**

The devastation created by the World War-II forced the policymakers of the globe and thinkers to find the way and means that could promote cooperation among nations and also reduced the conflict and war. One of the noticeable trends in the history since eighteenth century to cold war was the increase in the number of nation-states that provided the basis of the world political order. However, the very concept of nation-state came under critical attack when the Second World War broke out. In the most recent phase of globalization, the nation-state as the basis of the global political order has arguably called into question. Now, the focus is on from territorial to cooperation activities which includes economic, political, and global cooperation on a number of issues.

## **1.6 Economic Cooperation**

It refers to a stage where all trade barriers among nations, be reduced or abolished. It ranges from the position of preferential trade to the creation of free trade areas, customs unions, and economic unions. The main feature of the preferential trade agreement is that it provides lower on trade among its member countries. In a free trade, an area is a form where all barriers are removed among member states. One of the suitable example of a free trade area is NAFTA where all trade barriers are removed. Another form of economic cooperation is economic and monetary union which its own common market and customs union.

The theory of political integration developed by political scientists, Leon Lindberg, and Ernst Haas precedes the economic cooperation theory which mainly argues in favor of free trade and open market, developed by liberal economic thinkers.

The liberal economist regards regional cooperation as the return of free trade ideas of the pre-first World War period. Removal the barriers of free trade, the process further moves towards cooperation in other fields such as labour and capital. Certain methodology measuring economic cooperation involves the combination of different economic indicators, including trade in goods and services, labour migration, cross border capital flows.

Those who study the global economy have focused on the role of large corporate firms and advance industrial economies, both were considered historically the most successful choices and developmentally the most probable. It was assumed that informal activities would be displaced by industrialization. Liberal and neo-liberal analyses tend to dominate in economic theory, media accounts, and public accounts. However, there were some voices which differ from liberal economist as their tendency towards destabilization of social condition and larger problems this can create.<sup>9</sup>

## **1.7 Functional Approach**

The functional approach emphasizes the cooperation in social, economic, cultural affairs. Functionalism, which emerged after the First World War, can be seen as the first attempt to theorizing the new form of regional cooperation. The first and foremost proponent of the functional approach is David Mitrany. Functionalism opposes the war, and promote cooperation among states.

The theory of functionalism is that you cannot get peace except by digging up the roots of war. In the first place, the interstate system, including sovereign states as its structural elements has been characterized by endless conflicts and is incapable of promoting world peace and cooperation. Secondly, the major problems that mankind facing, have assumed such a global dimension that the sovereign nation-states cannot hope to tackle them satisfactorily. Thirdly, these newly emerging global tasks include developmental and welfare-oriented international functions that cannot be performed by the nation-state which has been primarily concerned, throughout its history, with

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<sup>9</sup> Peterson, Spike. V (2013) *“How is the world organised economically? In Edkins, Jenny and Zehfuss, Maza (eds) Global Politics”, A New Introduction*, Routledge, p.374.

military- security function rather than with developmental functions in international politics. So the international structures are needed for the performance at the new global functions of the international system.<sup>10</sup>

Functionalism got inspired by anarchism, liberalism, Marxian philosophy, and the teleological tradition and historical methods. Mitrany said that "*problems of our time is not how to keep the nations peacefully apart but how to bring them actively together. They can be brought together by cooperation among states.*"<sup>11</sup>

Functionalist proposes that working in non-political arena would bring more progress in economic and social stability. They prefer sound education in place of nationalistic indoctrination. No struggle would be needed, the world that is full of economic, social and cultural unity which functionalists propose. Military and diplomatic bureaucracies are the big hurdle in the development of humanity. Thus the functionalist model of the international system visualizes the gradual construction, over a long period of time, of development oriental international system, which progressively transcends national boundaries. However, after sometime the basic assumption of functionalism came under criticism. A leading critical exponent of functionalism was *Inis Claude*.

## **1.8 Interdependence Model**

As an empirical phenomenon, the concept of interdependence attracted attention since the end of the Second World War. The revolution in information and communication technology and the growth in modes of transportation, has led to the development of such phenomena of interdependence. Any event that is happening in any part of the nation has an effect on others, howsoever remote from the center of the occurrence.

At the same time some other developments such as the nuclear and electronic revolution in the technology of warfare, the uneven distribution of resources, depletion of raw material and energy resources, environmental degradation climate change, the wide and widening gap of technology and economic resources between

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<sup>10</sup> Bandyopaddhyaya, Jayantanuja (1993), "*A General Theory of International Relations*", Allied Publishers Limited. New Delhi, p. 207.

<sup>11</sup> Hill, Norman L. (1963), "*International Politics*" Harper & Row Publishers, New York. p. 405.

North and South, have drawn attention to common global problem. The interdependence of all the issues has led the nation-states to come closer to the solution of aforesaid problems.<sup>12</sup>

On theoretical level, both Realists and Pluralists have recognized the interdependence model. According to Realists, the interdependence can be defined as 'Vulnerability' of states, in which one state would be affected by the actions of another state. Since the structure of international politics is anarchist that state must be self-reliant. Pluralists adopted a positive approach towards interdependence. They called it reciprocity or mutual dependence. This mutual interdependence could be seen around the world as transnational relations such as the flow of goods from one nation to another, trade relations, and people to people contacts across borders, etc. Pluralists regarded this Complex Interdependence.

## 1.9 Complex Interdependence

Complex interdependence prospects came to the fore in 1970 especially among advanced capitalist societies of the west. The central place of these analyses were international institutions as demonstrated by Robert O. Keohane and Joseph S. Nye (1977) in *Power and Interdependence* which remains the classic statement on transnationalism and interdependence perspectives on the emergence of complex interdependence are most immediate and visible in international political economy. The internationalization of global economies, trade, and capital flows across borders have expanded geometrically. Other transnational linkages have also become part of our interdependent world. Private Citizens increasingly participating in intercultural experiences. Such types of trends have increased rapidly.

Complex interdependence has three main features. First, *multiple channels* both formal and informal, connect societies. Nation-state is not the only important actor in international politics as assumed by Realists. Trans-governmental organizations such as Multinational Corporation and transitional banks have also the example of other actors. The recognition of multiple channels of international relations is, in fact,

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<sup>12</sup> Bandyopaddhyaya, Jayantanuja (1993) "*A General Theory of International Relations. Allied Publishers Limited*", New Delhi, p. 232.

supposed to be one of the major characteristics of pluralism as distinguished from the single-channel proposed by Realists.<sup>13</sup>

Second, the perspective questions whether national security issues must dominate the nation-states 'decision-making agenda. Under the interdependence, foreign policy agenda are inevitably become more extensive and more diverse because a broader range of 'government' policies, even those previously considered, merely domestic, impinge on one other.<sup>14</sup>

The agenda of international politics consists of multiple issues, political, economic, social, technological, and environmental. State policy goals are not arranged in strict hierarchies i.e. military security issues are not greatly important than others.<sup>15</sup>

Third, the Military force is irrelevant. The nation that military force is the only dominate, mode of exercising influence in international politics, especially in western advanced societies. This is not the military force but complex interdependence among these countries that tied them together. In most countries, force is irrelevant as an instrument of policy.<sup>16</sup>

The best way to understand the complex interdependence is, in the backdrop of realists worldviews. Realists gave the state, a dominant place in world affairs/politics. Military force is the way by which states achieve their goals and interests. Opposing conflicts and violence, complex interdependence emphasized peace and cooperation. Though the prevalence of conflict and violence would remain in the world, there is also an increase in non-security issues. Keohane and Nye contended that the assumption put forth by realists-are inappropriate. They could be defined as either extreme or ideal types.

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<sup>13</sup> Ibid. p. 234.

<sup>14</sup> Kegley Jr, Chaules W. & Wittkopf, Eugene R. (eds., 1989) "*World Politics. Trends and Transformation*" Macmillan. London, p. 25.

<sup>15</sup> Bandyopaddhyaya, Jayantanuja (1993) "*A General Theory of International Relations*" Allied Publishers Limited. New Delhi, p. 234.

<sup>16</sup> Kegley Jr, Chaules W. & Wittkopf, Eugene R. (eds., 1989) *World Politics. Trends and Transformation*. Macmillan. London, p. 25.

## 1.10 Review of Literature

Literature review is an analysis of contributions made by others like authors, researchers, experts, etc. Some key sources are important for understanding myopic and used this study. Review of literature of some of the materials here:

- **Robertson, A.H**<sup>17</sup> is of the view that the development of European integration has seen many setbacks and failures. He is of the view that in the past never ever so many international organizations been set up, covering on a world scale, practically every sphere of the human life. The book presents the history of European integration. The main purpose to establish the European Economic Community was economic. The devastating consequences of the Second World War led the European leaders to establish such an organization. The Council of Europe, European Atomic Energy Community, Court of Justice, etc. were some of the main institutions that were established at that time.
- **Goodman, S.F**<sup>18</sup>The author elaboration on the history of the European Union especially in the context of the idea of an enlarged entity and the circumstances that led to the formation of different organs of the union have been discussed. The Maastricht Treaty can be considered a landmark development in the history of Europe. It is a compromise between conflicting interests. Further, the author gave the introduction of the decision making and institutional relationship in the EU. The enlargement took place from time to time as the accession of new members into the union. The idea of a single market is another significant feature of the union. For any individual who wants to know about the European Union, the book systematically contains ample information.

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<sup>17</sup> Robertson, A.H. (1959)*European Institutions, Cooperation, Integration and Unification*, Stevens & Sons Ltd. London.

<sup>18</sup> Goodman, S.F. (1996). "*The European Union*", Macmillan Press Ltd. London.

- **Sundaram, G<sup>19</sup>** The book is about the trade relations between India and the EU. However, much of the trade dimension has been observed through the European Economic Community (EEC). It has been noticed that throughout the post-war period, India's export to the six have been much less important, relatively, to the total, than they were in the interwar period. However, it has significantly increased over the years. It is an effort of the study to take stock of India's relations with the EU not only on Historical background of the transformation of European economic community into the European Union's but also European Union rising relationship with Asian continent and with that of SAARC.
- **Sacks, Sarol Cosgrove and Scappucci, Gioia (eds.)<sup>20</sup>** in their work analyses the European Union's policy towards Africa, Asia, Mediterranean, and Latin America. Globalization becomes a keynote theme of the 1990's while at the same time the creation of new regional economic blocks, like APEC and MERCOSUR, etc. gave challenge to the newly established rhetoric of worldwide trade liberalization. The innovative study should help considerably understand India-EU relations on broader perspectives. What policy EU pursue towards developing nations has also been evaluated/discussed.
- **Jain, Rajendra K. (Eds.)<sup>21</sup>** The book is based on the lectures delivered under the aegis of the 'Europe Forum.' The forum focuses on current economic, environmental, and political, security, and social issues concerning Europe. In this book, Michael B. McGeever analysis the economic and political challenges confronting the European Union. Herbert Traxl highlights the global implication of the Euro and the repercussion of European enlargement. The impact of globalization on the multilateral trading system has been very much evaluated by Benjamin Bassin. On Indian perspectives. J.N. Dixit traces the historical connection between India and Europe. He discusses the point of divergences and convergences and evaluated future prospects. Security

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<sup>19</sup> Sundaram, G (1997), *"India and the European Union,"* Allied Publishers Limited. New Delhi.

<sup>20</sup> Sacks Sarol Cosgroveand Scappucci,Gioia (1999), *"The European Union and Developing Countries: The Challenges of Globalization"* Macmillan Press Ltd, London.

<sup>21</sup> Jain Rajendra K.(2000), *"India and Europe in New Millenium."* Radiant Publishers, New Delhi.

environment in Europe and Asia has been examined by strategist Brahma Chellaney. Some other authors also shed light on India – EU relations from a different dimension.

- **Dyson, Kenneth**<sup>22</sup> The book is gaze on the nature, implication and challenges to a unique and uncertain body. The book had been written immediately after the establishment of the Eurozone. The primary purpose of the author is to provide a political analysis of the nature and implication of this outstanding event. The book is also a perfect attempt to provide an in-depth understanding of the Eurozone. The book might help to stimulate an interest in the importance and implication of the Eurozone beyond short-term partisan consideration, focusing for instance, on the weakness of the euro in the international foreign exchange market in 1999. The book also provides information, how the Economic and Monetary Union works and what is the nature of the challenges facing its policymakers. The relation between European Central Bank and Eurozone is also a matter of discussion.
- **Posen, Adam S**<sup>23</sup> The book review the Euro role as an international Currency. The global character of the Euro present concerns to the United States the World economy. A conference was held in 2004 to assess the role of the Euro as a global currency. In that conference, different intellectuals assesses the Euro Project of its completion of five years. A panel discussion examines several dimensions of the financial development of the Eurozone. The book discusses all these panel discussions held in 2004. The author also addresses the likely impact of the Euro's role on the practical aspects of monetary and financial policy coordination among major economies. The development of the Euro and its implication for the international financial system has also been discussed.

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<sup>22</sup> Dyson, Kenneth (2000), *“The Politics of the Eurozone: Stability or Breakdown”*, Oxford University Press, New York.

<sup>23</sup> Posen, Adam S (2005), *“The Euro at Five: Ready for a Global Role? Institute for International Economics”* Washington DC.

- **Isard, Peter**<sup>24</sup> The book is based on two major concerns, the process of globalization and the international financial system. The process of globalization has its merit or demerits. On one side, it has given the rise of the integration of the world economic system; on the other hand, it aggravated the severe and frequent financial crises in many emerging markets. The book seeks to achieve the different aim. The first is to provide an outlook on different problems that led to the financial crisis. The second is to provide solutions to palliate these problems. Third, to shed light on a central feature of the international financial system that remains mysterious to many economists. If one wants to understand the globalization and international financial crisis than this book has ample material to provide.
- **Bhattacharya, Swapan K.**<sup>25</sup> The book present very analytical knowledge about India-EU trade relations. Since its inception in 1957 as a European Economic Community, the European Union is now the most powerful actor in the international arena. As we know that the EU is a very trusted ally of India as trade is a concern also the EU is India's largest trading partner. Ever since the EU has adopted Euro notes and Euro coins, the importance of the EU for India has increased significantly. In this book, India-EU trade has been chronologically analyzed. However, more emphasis has been on identifying trade barriers to EU-India trade, particularly non-tariff barriers. India has been facing a slew of non- tariff barriers of its export to the EU market. The book also throws light on the problems and the opportunities of the EU – India trade in light of the new international economic order. What is the level of non-tariff barriers imposed by EU on Indian products, has also been discussed.
- **Taylor, Paul**<sup>26</sup> examines the problems facing the European Union in recent times. It measures the achievements and assesses the problem with some of its policies. The kind of new initiatives that are needed in any new European

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<sup>24</sup> Isard, Peter (2005), "*Globalization and the International Financial System, Whats Wrong and What can Be Done?*" Cambridge University Press, UK.

<sup>25</sup> Bhattacharya, Swapan K. (2005), *India and the European Union : Trade and Non-Tariff Barriers*. Aakar Books. New Delhi.

<sup>26</sup> Taylor, Paul (2008), "*The End of the European Integration : Anti-Europeanism Examined*". Routledge. New York.

project has also been observed. The author identifies the possible routes forward, building firmly on what has been achieved, although seek to abolish some of the hindrances get up by Anti-Europeans. The book very much examines the neoliberal economic theory, which supports the free market operations. The so-called democratic model of Europe has also been evaluated.

- **Whiteman, Richard G.**<sup>27</sup>The academic community has different views about the European Union. For nearly a decade academia has been occupied with the pattern and extent of the implementations of various reforms within the EU policies. Some argue that the EU should be considered as a normative power despite the previous conceptualization of the European Union within the narrow confines of military versus civilian power. The book has been organized in such a way that brings about some at the concern and questions of normative power. For example, chapter 2 of the book in which Christopher Bickerton invent a new dimension of inquiry of the debate on normative power chasing the reason and success of the European Union's search for legitimacy through norms. The author argues that the idea of the EU as normative power molds around the "question of legitimacy". Similarly, Jan Orbie deals with European social model discussions. The unions focus on labor standards and common commercial policies. The book also enhances the knowledge about different European perspectives.
- **Wulbers, Shazia Aziz**<sup>28</sup> The book analysis some of the missed opportunities in India – EU relations. Though EU- India trade relations are satisfactory, but there are some of the areas which need deep attention like culture, politics, etc. On multilateral platforms like WTO, the G-20, India, and EU differ on many issues. Actually, the book sets the terms of the debate, analyzes the achievements as well as the defects of the EU- India relations and set the stage for course corrections.

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<sup>27</sup> Whiteman, Richard G. (2011), "*Normative Power Europe, Empirical and Theoretical Perspectives*" Palgrave Macmillan. London.

<sup>28</sup> Wulbers, Shazia Aziz (2011), "*The Paradox of EU-India Relations : Missed Opportunities in Politics, Economics, Development Cooperation, Culture*" Lexington Books. Maryland.

- **Angeloni, Chiara. Merler, Silvia and Wolff, GuntramB(eds.)**<sup>29</sup> The ongoing crisis throws light on many shortcomings and institutional dysfunctionality that characterizing the euro area. Large debt in the corporate sector, national currency account divergences and lack of competitiveness were some of the reasons for deteriorating the condition. The writer is of the view that with the economic situation worsen private sector debt became less credible which impacted banks' balance sheets that put burden on the government. The writer suggested that the creditworthiness of the government that was hurt by the crisis should be maintained. Also, unfavourable feedback can be minimized by breaking one of the channels of outspending. A proposal of a banking union at the European level is also one of the solutions.
- **Overbeek, Henk**<sup>30</sup> The article observes the effect of the global meltdown on the European project. It observes the nature of the crisis. The current crisis can be very much comparable to the 1930's, in terms of its deep structural character. The crisis first occurred in the financial sector but caused by problem of over accumulation, which explains the succession of speculative boom and was prevalent from the 1980's. The crisis then converts into the ongoing debt crisis in Europe. There were numerous factors responsible for this, as stimulus programme, bailing out banks, the structural loopholes of Economic of Monetary Union that Leeds the accumulation of debt in members. And in the last, the author discusses the responses to the crisis with the solutions.
- **Dosenrode, Soren**<sup>31</sup> A very good work which deals with the nuance of the Lisbon Treaty. The 'pillar structure' that was introduced through the "Maastricht Treaty" was abolished and some of the new policy areas were introduced by the new supranational decision-making procedure. The treaty also defines the government structure of the European Union. The Lisbon

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<sup>29</sup> Angeloni, Chiara. Merler, Silvia and Wolff, Guntram B. (2012), "*Policy Lessons from the Eurozone crisis*" The International Spectator. Vol. 50 No. 4.

<sup>30</sup> Overbeek, Henk (2012), "*Sovereign Debt crisis in Euroland : Root Causes and Implication for European Integration*" The International Spectator. Vol. 50 No. 5.

<sup>31</sup> Dosenrode, Soren (2012), "*The European Union after Lisbon : Polity, Politics, and Policy*", Ashagate Publishing Limited, England.

Treaty tightened the government web of the Union considerably by strengthening the European Parliament and the European Council. The treaty present enhanced cooperation within the EU. The present structure which is very much democratic today can be best understood through the Treaty of Lisbon.

- **Amin, Jayaraj**<sup>32</sup> EU is a major international actor with its huge economic potentialities. Today, EU flexed its muscle into the terrain that traditionally belonged to nation-states though not without contestation. This has brought to the fore a large number of issues including identity, citizenship, security, the concept of welfare state and relation between supranational and sovereign national entities among others with divergent perspective. The book also presents a comparative study of the EU and the United States. India and EU on multilateral trade negotiations and on FTA between the two has also been discussed in wider perspectives in this work.
- **Schmidt, Vivien A.**<sup>33</sup> The Author says that the crisis in Eurozone was not economic but political. The neoliberal policies of the European Union especially the German-based neo-liberal agenda has left the member states with “politics without policy”. In this way, EU citizens have a little choice. Citizen’s inability to influence policies decided in Brussels combined with growing economic concern has led to the increasing political volatility of national politics. The multi-level nature of the EU system further complicates matters. A Euro barometer survey also suggests that trust in the national government has also dropped significantly. However, the author also presents solutions to this problem.
- **Laursen, Finn**<sup>34</sup> The writer is a Canada Research Chair in EU studies at Dalhousie University, Halifax. The 19 member states of the Eurozone and 10

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<sup>32</sup> Amin Jayaraj (2013) “*European Union in Changing International Order*”, Kaveri Books, New Delhi.

<sup>33</sup> Schmidt, Vivien A. (2013), “*The Eurozone Crisis : A crisis of Politics, not Just Economics*” The International Spectator.

<sup>34</sup> Laursen, Finn (2013), “*The EU and the Eurozone Crisis: Policy Changes and Strategic Choices*”, Ashgate Publishing Limited. England.

other members who are out of the Eurozone are affected that make decision making complicated. Currently, the EU faces many challenges including the Eurozone crisis and the unemployment crisis. What steps are to be taken to control the situation? Was the Maastricht-EMU set-up faulty? Will more fiscal federalism be necessary? Will another treaty change be required to allow for the imposition of economic policies on member states? If there any need to revert to intergovernmentalism? What will happen if economic governance is tightened among Eurozone members? These are some of the big questions that the book tries to answer at least some of them.

- **Lucarelli, Bill**<sup>35</sup> In this book, the author provides a critical history of the Economic and Monetary Union. The origin of the present debt crisis lies in EMU itself. It is a seminal work to understand the history of the evolution of the Euro. The investigation likewise plans to be a commitment to the scrutinize of the current monetary speculations that keep on educating the development regarding the euro without a political association and a comparing financial system, the endurance of the Euro stays hazardous. The author also compares the Euro with the US Dollar. The US dollar continues to reign supreme as the pre-eminent international currency. The current debt crisis poses a threat to the survival of the Euro. The author also presents the different reasons for the Eurozone crisis. In this regard, he presents a special case of the Irish crisis.
- **Ram Mohan, TT**<sup>36</sup> The writer has written about the crisis and its impact on India extensively. The book provides more information about the post-crisis scenario. Ever since the crisis has hit the global economies, the government in different countries tried to avoid the crisis at their own level. The Indian banking sector remained unscathed during the early crisis years. RBI has got the policy framework for Indian banking in the post-reform period right, on the whole. RBI approach has been clear by what happened to the banking system elsewhere during the financial crisis and the Indian banking system own robustness in the face of a major global crisis. So there is room for

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<sup>35</sup> Lucarelli, Bill (2013) "*Endgame for the Euro: A critical History*" Palgrave Macmillan. London.

<sup>36</sup> Ram Mohan, TT. (2013), "*Before and After the Global crisis*" Gyan Publishing House, New Delhi.

improvement, both in terms of the policy framework in the sector and the performance of public sector banks. Macroeconomic imbalances were held responsible in the author's analysis. The bank became more investment-oriented, moving away from its traditional role. The banks need a balance between banking and investment activities.

- **Jain, Rajendra K.(ed.)**<sup>37</sup> The book is divided into eleven chapters that examine the structural issues and different views that define Europe's relations with India. The views of both India and the EU towards multilateralism has also been examined. The volume likewise talks about the union and difference in their methodologies and arrangements towards rising worldwide standards and environmental change. The volume also examines the India-EU trade dimension and also assesses the Eurozone crisis's impact on India and China. The volume makes a significant contribution to the growing discussion on the diversified political, economic and security challenges EU-India relation in a changing world order.
- **Berberoglu, Berch**<sup>38</sup> The book throws light on the recent global capital crisis. The author held the present capitalist system responsible for the turmoil. This capitalist system should be changed with new one that is more in line with the needs and aspirations of working people across the globe. The book contains chapters with different authors. The book analysis the American financial crisis and how this crisis spread among Eurozone economies.
- **Smith, Karen E.**<sup>39</sup> A very good work to understand the foreign policy of the European Union in a broader way. A foreign policy of country can be considered a guide through which a country's relations evolved with other nations. The first chapter brings detailed introduction of the foreign policy of the EU which includes objectives too. Another chapter discusses the instruments of the foreign policy which includes aid to third countries,

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<sup>37</sup> Jain Rajendra K. (2014), "India and the European Union in a changing world" Aakar Books. Delhi.

<sup>38</sup> Berberoglu, Berch (2014), "The Global Capitalist Crisis and its Aftermath, The causes and consequences of the Great recession of 2008-2009" Ashgate Publishing Limited. England.

<sup>39</sup> Smith, Karen E (2014), "European Union Foreign Policy in a Changing World. Polity Press" UK.

cooperation agreements, GSP schemes, diplomatic instruments military instruments in which the EU has tried to increase its military capabilities so that it can undertake a larger or more demanding mission. Democracy and good governance and human right are also discussed in a very systematic way.

- **Greek Crisis to Have Limited Impact on Indian IT firms**<sup>40</sup> The study finds that the direct revenue exposure of Indian firms to Greece is limited. However, some big IT firms are likely to see 1-2 % earning impact from the Greek crisis. If there is any indirect impact come that will be only through the sectors exposure to the Euro Rupee exchange rates. Some of the IT companies are there in Greece which has their earning from that country. Apart from IT companies, there are others like Jain irrigation partition which has a significant presence in Greece.
- **Flassbeck, Heiner and Lapavitsas, Costas (eds.)**<sup>41</sup> The author presents deals with the one of the alternative i.e. exit from the Euro zone and re-adoption of the national sovereign central banks. Authours of the view that system of ‘transfer Union’ in which spending and taxation are pooled, seem to be impossible for European Union. the issue of social justice definitely led the clash within European institutions. The years to come are critical, what happens in Britain, Greece, and Spain will determine whether Europe falls apart under the combined pressure of now right and the unorthodox lift. The role of European control has come under the scanner.

## 1.11 Objectives

The objectives of the thesis are to study and analyses the crisis in the Eurozone and its impact on India. However, the study aims to achieve the following objectives:

1. To examine the reasons behind the Eurozone crisis.

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<sup>40</sup> Greek Crisis to have limited Impact on Indian IT firms. The Indian Express.

<sup>41</sup> Flassbeck, Heiner and Lapavitsas, Costas (2015),“*Against the Troika: Crisis and Austerity in the Eurozone*” Verso Publishers. London.

2. To find out the contagion impact of the crisis on the European Union as well as on India.
3. To find out the implication (long term and short term) of the crisis on India.
4. To examine the mechanism created by the European Union to tackle the crisis.

## 1.12 Hypothesis

In the present age of globalization that is marked by interdependence and interconnectedness, which results the change in one part of the world affect others. The global economic order is one of the examples where change in one region affects the change in others. In the light of the above scenario and to make the study more specific following hypothesis have been formulated:

1. Eurozone crisis can hit the financial stability of the Eurozone region
2. Eurozone crisis had an implication on different sectors of the Indian economy especially textile and gems and jewellery.
3. Crisis may put a question mark (?) on single currency model of regional integration with the policy one size fits for all.
4. Emergency financial mechanism is needed to tackle the crisis.

## 1.13 Research Design

The various phases of research can be brought under control by designing the research. Designing of research, is thus, a process of deliberate plan directed towards bringing an expected situation under control. In some fields, the term ‘research design’ is also used to refer to the overall plan for addressing a research problem or question. *Sandra Halperin* and *Oliver Heath* describes that “A *research design specifies the sort of evidence you need to investigate your hypothesis and describes how the evidence will be collected and analyzed*”<sup>42</sup>. *Ackboff Russell*, “Research

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<sup>42</sup> Halperin, Sandra & Heath, Oliver (eds. 2012) “*Political Research: Methods and Practical Skills*” Oxford University Press, New York.

*design is planning various phases and procedures relating to the formulation of research efforts*".<sup>43</sup> One may classified research purposes broadly into following groups and there are different research design in each case. These are:

- A. To gain familiarity with a phenomenon or to achieve new insights into it.
- B. To test a hypothesis of a causal relationship between variables.
- C. To study a phenomenon or to achieve a new insight into it.

Since we want to analyze the Eurozone crisis and its impact on India, our research purpose clearly belong to the fourth group. In this area of research there is a lack of thoroughly developed research programme. Therefore, an exploratory study is considered appropriate.

In such studies the quantitative method involves the collection and analysis of data in large number of cases. Hence, in the present research, descriptive cum analytical research design has been used so as or make a useful contribution to the research.

#### **1.14 Methods of Data Collection**

In this research, primary data and secondary data are collected. First, we analyses the methods of primary data collection. The techniques of primary data collection is the most vital operation which needs special attention of the researcher to get empirical validity. The collected data must be adequate and accurate. The primary sources, which are collected, are in form of speeches, statements and documents. Sources of secondary data are available in unpublished and published form. In present research we have used the published data from various publication of central government.

Various publications of international bodies and subsidiary organizations, Journals, books magazine and newspaper and internet.

#### **1.15 Significance of Study**

The present research will provide different dimension of Eurozone Crisis. What were the measures taken by the European governments to protect the affected nations of

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<sup>43</sup> Russell, Ackoff (1961) "*Design of Social Research*" University of Chicago Press, Chicago.

Eurozone would also be discussed. Ever since the globalization has hit the world, nations have come closer than before. If globalization converted, the world into a 'Global Village' (Marshall McLuhan) than nations in this global village have economic repercussion too. The significance of the study lies in, how the economic crisis in one regions shook the other region. The Eurozone Crisis has implication for developing countries especially for India. What would be the policies of the government of India in such a turmoil scenario that can protect India interests abroad? Can a single currency model is always successful? Can Euro sustain itself in this competitive world as a global currency? The study would deals with these questions extensively.

## **1.16 Chapter Plan**

The overall structure of this research follows substantive chapters.

- Chapter-1** Introduces the study topic of research and its different dimensions like statement of problem, methodology and of course, the significance of study etc.
- Chapter-2** Focuses primarily on the European Union as well as its relation with Republic of India. If we want to understand the Eurozone crisis, then we first, have to understand the European Union. This chapter fulfills this requirement. History of the European Union and its different organs/institutions, its policies are discussed in this chapter.
- Chapter-3** Examines the debt crisis in Eurozone area and its impact on Europe. European government efforts to tackle the crisis and also its impact on single currency, 'Euro'
- Chapter-4** Follows chapter-3, where the crisis's impact on India have been shown because India is the largest trading partner with European Union so impact on India is pertinent.
- Chapter-5** Conclusion