CONCLUSION

Since it's creation from the European Coal and Steel Community in 1957, the European Union is the most distinctive political creation towards regional integration. It is the region of diversity with its rich history, multilingually and human capital. Faced two World Wars, economic depression, divided by the Cold War, the European Union has come out as an example of prosperity across the world. The European Union was founded on the principles of diversity, human rights, and democracy. All these principles have been embedded in different treaties that are the base of the European Union. But the Eurozone crisis put a question mark on the European integration project which has come under deep scrutiny. The European Union is undergoing it's challenging time today. The financial crisis erupted in the United States took hold of Europe and played havoc to its economies. Southern European economies were worst affected as these economies are the part of the European Monetary Union and the single currency the Euro.

For the countries in Southern Eurozone like Portugal, Greece and Spain Europe proved as a synonym of development and progress. In their past these countries were remained under autocracy, for example, Spain was under the autocratic rule of General Franco for a long period but all these economies looked at Northern Europe with hope as the Northern region was rich in culture, rights and these autocratic regimes could be benefited with these principles only when they are free from there authoritarian rulers and help to build a greater European Union. After a long struggle, most of the Southern European countries joined the European Union as well as the Eurozone. The single currency brought prosperity to these Southern area economies as they enjoyed the low-interest rates.

But the crisis reverse the scenario and the situation is quite distinct today. The countries in Eurozone are under the intense pressure of austerity which is the result of bailout packages provided to them by Troika. They had to reduce the budget on social sector schemes and several are suffering from high unemployment growth which is almost 25 percent in some of the Eurozone countries and the worst hit is the age group of 15-24.

Europe has entered into a time of deep uncertainty which casts a shadow on its economy, society, and politics. European politics which picked momentum after the Cold War received a blow in the form of the Eurozone crisis. The governments in Euro area fudged the fiscal data and show as if the economy is in better condition. But the true picture was different as the countries in the Euro area were running with high fiscal deficits, widening current account imbalances and high debt-GDP ratios. As the welfare schemes got hampered, it resulted in demonstrations against the political regimes. The ruling parties in Spain and Greece had to resign in the wake of the crisis. The emerging markets witnessed a drop in their share markets, investment or even had to depreciate the domestic currencies.

European Monetary Union lacks some of the crucial aspects that were necessary for an economic union. By adopting the Euro, the monetary policies of the Euro area countries became centralized but fiscal policies remained the matter in the hands of the national governments. This dichotomy has made it difficult to adjust to economic shocks that affect member states differently to a larger extent and the vast market provides opportunities to banks to offer financial services across the borders but the regulation of these banks rests in individual government. The distinction in such type of structure exposed in the form of the crisis and threatened the solvency of member states that lacked adequate rescue mechanisms at the immediate time. However, leaders of the European Union launch some reforms that address the deficiencies in Euro area governance but these reforms are not adequate especially Euro area banks are vulnerable to external shocks.

Following the crisis, the Euro area member countries had to bailed out by Troika with strict austerity condition. The condition of austerity was so hard that one of the hard-hit country Greece and it's Prime Minister Alexis Tsipras announced a referendum against the austerity measures and the results of the referendum were against the austerity. The results of the referendum were not solely against the austerity but also against Germany's hegemony. Bringing back'*Drachma'*and departure from the'*Euro'* thought to be an option before Greece to recover from insolvency But, would Greece benefited from leaving the single currency? The answer certainly is'*no'* as it is quite difficult to assess the cost of leaving the Eurozone. The impact would be directly on its GDP and how many years would it take to recover the GDP, is uncertain. Also for Greece departure from the Euro means a departure from the vast trade market European Union too which may have long term consequences. The exit may cause a spillover effect on other European countries, especially weak economies.

The German role during the crisis was a little bit lukewarm. Being the biggest economy of the Eurozone it was the duty of Germany to come forward immediately but it didn't. For months it was France, the second-biggest economy of the Eurozone and other Euro area countries impel Germany to issue Eurobonds so that Spain, Greece, Italy, and others from overpaying for their new debts, Germany was constantly denying to do so. Why Germany was denying? Let's understand. Actually, the German bonds were sold in the market at the lowest rate hence the financial crisis increased the demand of German bonds and the interest rate of German bonds decreased, it was the two-century lowest rate. During this time the German bonds considered the stable bond in comparison to another European bond thus attracted investors leaving behind Southern bonds. So in the initial time of the crisis Germany hesitate to intervene. But after feeling mounting pressure on it, Germany came forward with rescue plans and it can be seen in a statement of German Chancellor Angela Merkel*" If the Euro fails, Europe fails".* The Economist in its article commented, *"at every stage of this crisis European leadership reacted late and inadequately*. However, more blamed could be put on Germany which responded late.

The Eurozone member states agreed on a long list of structural and institutional reforms. A consensus was made to reform the Stability and Growth Pact, a new permanent crisis resolution mechanism such as the European Stability Mechanism, etc. In a positive move Stability and Growth Pact was amended with some new features. In the wake of the Eurozone crisis the European political elite took numerous steps towards closer cooperation among member states and this closer cooperation is also the result of anti -European Union campaigns that spread in different European countries especially after the Eurozone crisis, who advocated dismantling the European Monetary Union as the possible solution.

The Eurozone crisis has also put a question mark on the single currency' the Euro' and it's sustainability. The Euro was introduced in 2002 as the potential option of the Dollar. Since it's inception the Euro faced two sets of constraints on external as well as on internal level. The Euro area lacked a wide range of macro-level stabilizer instruments. On the external level, the Euro had been self-limited through its integration with global neo-liberalism, a project that was supported by the interconnected market on a world level as well as state interests within Eurozone. The Euro has always provided a protective shield to its member states against the global currency fluctuations. Until 2007-08 they enjoyed low-interest rates and invested beyond borders. But the global financial crisis exposed these external vulnerability of the single currency and this became true as the financial crisis hit the Euro area.

Despite the instability in Euro area politics created by the financial crisis, the future of the Euro largely depends on national acceptance of fiscal reforms led by the European Union. The division of North-South split has grown apparently as the voters in Greece and Spain rejected the bailout conditions. It is also the duty of the European leaders to restore the confidence in Euro. However, despite the Eurozone crisis and anti -EU sentiments public support for the single currency remain strong. A survey shows that a majority of Euro-area citizens are in favour of the Euro about three quarters have the opinion that the currency is equally good for the European Union. The European leaders also tried to demonstrate that they too are standing behind the Euro and will preserve its stability at any cost and any level.

The Eurozone crisis that erupted owing to the American sub-prime crisis and due to some faulty policies of the member states, engulfed the whole of Europe. The Eurozone faces an intense crisis that has its repercussions far beyond Europe. The crisis clearly exposed the default design of the European Monetary Union and the Maastricht architecture. Actually, the Eurozone is a monetary union without a fiscal union and it lacks a political union too. There was no coordination of fiscal policies among the Euro area member states. The crisis that broke out in Greece, Portugal, Italy and in Spain spilling over to the wider European financial market and causing drastic fluctuations in the stock, foreign exchange market. The crisis impacted not only European markets but also has its repercussions for emerging economies like India. The European Union is the largest and biggest trade market for Indian goods and service sectors any tremor in the European market has a direct or indirect impact on India. The growth prospects for Eurozone is still below expectations. However, the latest growth prospects released by the International Monetary Fund and the European Union statistical office assumes the positive growth in the near future. So far we have analyzed the Eurozone crisis and its impact on India. Regarding the above analyzation some of the findings are as follows:

I start my research with the objective of the examinations of the reasons behind the Eurozone crises and with the hypothesis (hypothesis-1) that Eurozone crisis can hit the financial stability of the Eurozone region. Finding suggest that in 2008 financial crisis that emerged in the United States, investment and banking sectors were worst affected. It began with the collapse of Lehman Brothers, a financial institution established in the United States. European banks total investment in the United States was almost two trillion dollars. A large amount of this money had been invested in the housing market. When the housing bubble burst in United States, it also impacted Europe. A number of Eurozone countries were running with high deficit growth. Total government debt of Euro area was 84.6 percent in 2010 that increased to 89.7 percent in 2012.Even Germany government debt was 81.0 percent in 2010.Only Latvia and Lithuania were the countries in Euro area whose debt level was less than fifty percent. The current account deficit of Greece of Greece recorded 14.7 percent in 2008, 12.0 percent in Portugal and in Spain it was 9.0 percent. However, in the 2016 the condition improve and current account surpluses was 3.3 percent. Also, It is found that the crisis affected countries recorded a high unemployment growth. The highest unemployment was among youth. Spain and Greece recorded 25 percent of unemployment highest in the Eurozone while in Portugal and Italy along with France it remains between 11- 16 percent. It is also found that during the crisis the unemployment rate fluctuated in Europe.

The crisis and its effect revealed that there was an inherent contradiction in the formation of the European Monetary Union. EMU lacks such type of mechanism that could stop divergent economic development among member states. Convergence criteria and the norms of Stability and Growth Pact hardly followed. Being a part of the monetary union, it was not possible for the countries to manage their own monetary policies as it was the task of the European Central Bank. The European economies have become closely integrated including sharing a common currency but EU didn't have continent wide institutional mechanism which could deal with the problems related to economic. Eurozone is a monetary union without a fiscal union. It was also found that Eurozone contains a type of central banks but not a treasury. Unlike Federal Reserve in the United States, the European Central Bank cannot act as a lender of the last resort as its charter precludes it from providing direct financing to government. It seems that Eurozone was established with a view of 'associated developmental model' in which the economy with low level of growth will converge with the developed economy. To achieve the target of common currency, three stages have been put in place. The first stage would begin from July 1990, the second stage from January 1994and the final stage would start from 1996. The most important feature of the EMU was the Convergence Criteria. If a member state wants to join the EMU, he would have to follow some rules as the inflation rate may not be higher than 1.5 percent of average inflation rate of three best performing states, the government debt may not be higher than 60 percent of GDP. Greek government gross debt which was 109.4 percent of GDP reached 126.7 percent in 2009.In 2011 it rose up to 172.7 percent. It is revealed that before joining the European Union, Greece budget deficit was only 4 percent. Due to excessive government borrowing and low interest rates, it accelerated. Greece invested heavily on Olympic Games in 2004, almost 4 percent of its GDP. A significant amount disbursed on pensions .The Greek banks non - performing loans were increased. Spanish government highly dependence on construction and real estate sector make the condition peculiar. Due to low interest rates, money was invested in real estate sector. The saving banks also known as *cajas* provide 46 percent loans of total banking sector.

My second objective is to find out the contagious impact of the crises on the European Union as well as on India and my second hypothesis (Hypothesis 2)is Eurozone crisis had an implication on different sectors of the Indian economy especially textile and gems and Jewellery. As far as contagion impact on European Union is concerned we have seen that first the crisis impacted the southern economies like Greece and than spread among other Euroarea economies. Due to this crisis many southern European economies became insolvent and they had to seek bailout .The crisis also impacted the growth prospects of the Euroarea.As the impact on India is concerned, it impacted the different sectors of Indian economy such as textile, gems and jewellery and leather. The Government of India and the Reserve Bank of India took measures so that the impact could be minimised. Eurozone crisis had an implication on different sectors of the Indian economy especially textile and gems and jewellery.

As the second hypothesis I have taken the impact of the crisis on different Indian sectors especially on textile and gem's and jewellery. Indias textile and garment segment of export hit substantially. Europe is India's second largest market of textile export after United States. During the period of 2000-01 it was 29.2 percent, further in 2008-09 it declined to 18.2 percent. During the period of April-September 2010-11 it remained 15.7 percent. The handicraft export to European Union declined from 4.4 percent in 2000-07 to 1.1 percent in 2009-10.As the country wise analyzation revealed that among European Union members ,India is the fifth largest supplier of apparel and textile products to France. Germany also receives a significant share of Indian apparel and textile exports. Exports of carpets and other textile floor covering recorded a negative growth rate of -10.06 percent in 2010-11 and 2011-12.Greece hardest hit among Eurozone, recorded a negative growth of textile and other related exports .Carpets and other floor covering recorded-25.03 percent during 2010-11 and 2011-12. Similarly, Portugal also record negative growth rate. But Italy and Spain were the countries which record a positive growth. The share of gems and jewellery to European Union in comparison to world has also negatively affected. In the period of 2010-11(April-September) it was 14.9 percent to the world while to European Union it stood at 6.4 percent. Gems and Jewellery sector provide an employment to around 4.6 million people in India.It contribute a high volume of exports and employment.During 2009-10,the growth rate of gems and jewellery sector to European Union was -25.2 percent ,2009-10(April-September)it was -48.5 percent . Engineering exports account for over 20 percent of India's total exports.India recorded a growth rate of 25.2 percent in engineering exports for the period of 2000-07 before the onset of the Eurozone crisis but as the crisis expand its size it slowed down to 18.7 percent .The growth rate of engineering products to European Union for the period of 2009-10 recorded-25.7 percent.Exports as well as Imports come down during the Eurozone crisis.The other sectors such as leather and leather manufactures as percentage of share to world in the year 2000-01 was 4.4 percent but it decreased to 1.7 percent in April-September 2010-11.The exports to European Union also declined from 11.4 percent in 2000-01 to 5.90 percent on April-September 2010-11.The growth rate also decelerated to -2.7 percent.Thus,it is clear that except one or two year the export of India's different sectors such as leather gems and jewellery, engineering and textile decline during the Eurozone crisis.

The third hypothesis (Hypothesis 3) is Crisis may put a question mark (?) on single currency model of regional integration with the policy one size fits for all. The European Union is considered one of the best example of regional cooperation. The creation of the Euro aimed at to facilitate Europe's peaceful integration but due to the Eurozone crisis the single currency is creating distrust and somewhere new divides. The aim of the European leaders behind the creation of a new currency to integrate the Europe economically. To be a part of European Monetary Union, member country has to follow *Convergence Criteria* and *Stability and Growth Pact* conditions. The country which adopted the Euro have to surrender their monetary policy before the European Central Bank. The other policies such as budget, research and development, and economic policies rests in the hands of national governments of the Eurozone. The fiscal policies also handled by the particular Euroarea government. The European Central Bank emerged as the second most powerful bank after the Federal Reserve in United States. Managing Euro as a supranational currency, the prime task of the ECB. It has been mentioned in the article of 3a and article 105(1)in Maastricht Treaty that the primary objective of the ECB was to maintain the price stability. Eurozone is a very diverse geographical region, on the one side Northern rich states also called the core, like Germany, France and on the other hand poor Southern states, called as periphery like , Portugal, Greece, Italy and Spain. Monetary policy of the ECB covers the entire Eurozone thus two divergent regions come under one policy, it doesn't matter what their condition is. All the countries fits under one criteria. Since the countries have adopted the Euro as their national currency it was not possible to devalue the Euro at the time of crisis. On the eve of the single currency the debt-GDP ratio of Belgium was 118.7 percent, Greece was 107.07 percent but these were part of the Eurozone. The norms of the *Stability and Growth Pact* were violated a number of time, particularly by Germany and France but never penalised. There was no provision of bailout .As the deficit countries surrender their monetary policy to ECB they had to adjust through a program of sever austerity. The absence of common Eurozone exchange rate made the situation peculiar. The imposition of 'one size fits all' policy on divergent region became dangerous of the southern countries who had to pay the price in form of financial Crisis.

Hypothesis 4 is Emergency financial mechanism is needed to tackle the crisis. The financial crisis is not a new phenomena, there are times in history when the crisis erupted but nations had their own mechanism to overcome the crisis. European region is also hit by the financial crisis in a number of times and the insolvency of the todays Eurozone countries has also it's past history. Greece, Austria, Germany, Portugal have been unable to pay their debts in the past. Greece is a country which has to restructure its debt a number of times. Since then Europe didn't have a insolvency regulator .The 2008 financial crisis that erupted in United States, but United States had the regulator in of Federal Reserve which work as the lender of the last resort and pulled out the country from financial crisis. An emergency financial mechanism is very crucial to tackle the crisis so that the impact of financial crisis could be minimise. During the Eurozone crisis we have seen that there wasn't any such mechanism which could as an insulator against the crisis. The governance structure of the Eurozone was not at all prepare to deal with the challenges and there were only council meetings as a temporary relief in the name of crisis tackle mechanism. European Central Bank forms only monetary policies for the region but it cannot act as the lender of the last resort as Federal Reserve did in the United States. During the crisis the European governments implemented several emergency measures to stabilise the financial markets so that sovereign defaults could be prevented. '*European Financial Stability Fund', 'European Financial Stabilization Mechanism'* were created as temporary relief mechanism. These were not the permanent crisis resolution mechanism. Later as a successor of the above, '*European Stability Mechanism'* was introduced. The ESM would have a banking licence that would allowed the European Central Bank to provide a loan for 3 year to ESM and also support its operations regarding finance. A bailout package was also approved by '*Troika'* that consists , International Monetary Fund, European Central Bank and the European Commission. Thus it has been proved that to tackle the financial crisis an emergency mechanism is must so that the impact of the crisis could be minimised.