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МЕЖДУНАРОДНАЯ КОММУНИКАЦИЯ НА АНГЛИЙСКОМ ЯЗЫКЕ

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WHY IS THERE NO EURO IN THE CZECH REPUBLIC?

Scientific Advisor – S. N. Miroshnikov, PhD in History

For the time being, the Czech Republic is a country that does not use the euro as a national currency. The article aims to determine the main reasons for the Czech Republic's refusal to join the Eurozone. It is important to emphasize the public opinion and the opinion of the head of the Czech Republic. There are excerpts from the reports of the Czech National Bank, where the position on this issue is clearly visible. It appeared that the main reasons for the refusal are the unstable economic situation in the Eurozone and the negative attitude of citizens of the Czech Republic.

Keywords: euro, the Czech Republic, Eurozone, economic integration.

Nowadays, nine countries of the European Union do not use the euro as their national currency. One such country is the Czech Republic. The issue of entering the Eurozone is of particular importance in connection with improving the living conditions in the country, the growth of the economic indicators, as well as the presidential election in 2018.

The issue of adopting the euro was put on the agenda right after the Czech Republic became a member of the European Union on May 1, 2004. According to the then president of the Czech Republic Vaclav Klaus, “the euro could start free circulation on the territory of the Czech Republic no sooner than the country became a full member of the European Union”. Vaclav Klaus meant that launching a single currency could be expected only when the Czech Republic reached complete economic integration and mobility of the Czech labor force in the European Union. “It was more important that it was beneficial to them first of all, their interests should be in the first place,” the president said [1].

However, according to the Maastricht Treaty, the introduction of the euro cannot be carried out without fulfillment of the euro convergence criteria. The implementation of the Maastricht criteria is monitored by the European Commission and the European Central Bank. In 2004, the Czech Republic did not fully implement the convergence criteria, which did not give it the right to enter the Eurozone from the beginning of the EU membership. The Czech economy was not ready, it needed to normalize the budget deficit [2].

Since 2004, steps have been taken to equalize the macroeconomic indicators of the Czech Republic with the rest of the European Union. Also in 2004, the Czech Republic planned to accept the euro as an official currency in 2010 [3]. In August 2007, the government approved “The Czech Republic’s Updated Euro-area Accession Strategy” that does not contain the target data for the introduction of a single European currency [4. P. 9].

Over the next 8 years there have been some echoes of the decisions on this issue, but the Czech Republic lost its interest in the Eurozone due to the European debt crisis. The euro adoption date was set for 2016 [5]. In March 2015, the ruling Czech Social-Democratic Party announced that it would try to adopt the euro by 2020 [6]. Also in the run-up to the general election in 2017, the coalition government agreed that if it won re-election, it would set the target date for the adoption of the euro that is 2020 [7].

In 2017 the general election was held in the Czech Republic, according to which the ANO 2011 took the first place, receiving 78 seats out of 200 in the Czech parliament. ANO 2011 is the party ruled by the former Minister of Finance Andrej Babis [8]. He is known for his euroskepticism, and his party opposes launching the single currency. Andrej Babis states “the euro is profitable for them neither today nor in the near future” [9].

The report of the Czech National Bank for 2016 presents that the Czech Republic fulfilled all the criteria of convergence, except that the country has not participated in the Exchange Rate Mechanism or ERM II yet. The CNB recommends the Czech government join the ERM only after achieving a high degree of economic alignment with the Eurozone countries. The alignment will help the country introduce the euro as soon as possible. Also, the Czech Republic needs to join ERM II only on condition that the situation is both in the domestic economy and on global financial markets is stable. In addition to the above, the report mentions that there are major obstacles to the economic growth of the Eurozone, namely systemic structural defects, which have not been removed by consistent implementation of structural reforms; political uncertainty associated with Brexit; and geopolitical risks connected with tensions in the Middle East and North Africa, which have caused a serious migration crisis [10].

Arguably, the government is undoubtedly listening to the recommendation of the National Bank. The President of the Czech Republic Milos Zeman repeatedly said that “the Czech Republic should enter the Eurozone only when Greece left it, the Czechs should not pay Greek debts” [11]. However, last year Milos Zeman himself argued that the Czechs should not be afraid of adopting the euro, “the Czech Republic had been ready for joining the euro zone for almost ten years, they (the Czech Republic) had been fulfilling the Maastricht

criteria, but there was a mental barrier to its adoption. Only 30 percent of Czechs were in favour of entering the euro zone” [12].

It should be noted that a significant factor in refusing to accept the euro is the fear of Czech citizens. According to the Eurobarometer poll, only 23% of respondents said they supported adopting the euro. The rest of the respondents wanted to keep the koruna as the national currency. The negative attitude and even protests against the euro have emerged in recent years, precisely in connection with the crisis of the Eurozone [13. P. 8].

The Czech Republic has a realistic and discreet position on the euro adoption. The government carefully balances advantages and disadvantages of the single currency. Repeatedly the reason for refusing to adopt the euro was the budget deficit. Today, on the contrary, the Czech Republic implements all the convergence criteria, except for participation in the Exchange Rate Mechanism. Joining the ERM depends on the decision of the authorities of the Czech Republic. Perhaps for the Czech government, launching a single currency is not an urgent issue, so it does not need to hurry to introduce it. There may also be fears connected with the loss of success in the economy that the Czech Republic has achieved in recent times. After all, the introduction of the euro entails consequences associated with rising prices, the loss of independence in the monetary policy, as well as the loss of flexibility in setting exchange rates.

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A.V. Ezheleva

INDIA AS AN EMERGING POWER

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The article deals with the phenomenon of India's transformation into an emerging power capable of influencing the structural changes in the world balance of power. The country's rapid economic growth is confirmed with information from special literature. Much attention is paid to internal problems hindering the further development of the economy. In addition, attention is drawn to India's bilateral relations with other states.

Keywords: India, power, economy, internal policy.