A GLANCE AT THE EUROPEAN ECONOMIC AND MONETARY INTEGRATION PROCESS WITHIN HISTORICAL PERSPECTIVE IN THE LIGHT OF ECONOMIC INDICATORS

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ABSTRACT

Once dreamt of by few European Leaders, European union with its economic and monetary Structure is in the forefront of the World's economic scene today. European Union is marching conscious steps towards becoming a super power. In the final stage of integration European economic and monetary integration has already proved to be successful among member countries Strong monetary policy, economic structure and policies towards a better Europe under European Union umbrella is promising for European Countries. In the world of globalization, to understand European Union's today and future, it is a necessity to see the phases passed in historical process. Therefore a historical perspective has been put forward in the study. The study consists of a brief description on the European Union's integration process starting from the ideals of authors, diplomats and philosophers of the middle ages. Then European economic and monetary integration as well as its phases are also given shortly. Following the historical perspective, economic performance of the European Union and Euro area after monetary integration has been evaluated by using several economic indicators. Data have been evaluated according to the number of member countries' entrance date to European Economic Community and the European Union.

Keywords:*European Union Economic History, European Union, European Economic and Monetary Integration, European Union Economic Indicators.*

GİRİŞ

Old Continent Europe, have faced several disasters and movements in the past century. Many people died and countries collapsed economically. Ist and IInd World Wars, economic crises and development of industrial revolution shaped the regional economic integration efforts for some years. Starting from 1950s, integration movement in Europe led by few leaders gained pace. Certainly it is not difficult to see why leaders of the time sought and why still today have sought for integration accross the region. Peace and economic welfare for everyone could be reached through a stabile unity.

Today's European Union have passed several stages of integration process and been developed by collective conceptual and structural factors. Different characteristics of these factors constitute fundamental milestones for today's integrated structure. Certainly ideas of the periods also formed a different view on the structure of the unity.

There are several economically integrated regions in the world. Economic integration basically depends on liberalization methods for trade between countries and it is some of the ultimate goals of integration efforts in Europe. Colloborate act in economic policies and decision making are other issues in the integration by and among member countries. Economic and monetary integration of Europe might be the final stage of unity formation among countries in Europe and it certainly have some effects on the structure of current Union in many aspects.

In this study, firstly European Union's evolution from past to today has been given from historical perspective. Economic and monetary union has been stressed. Finally economic performance of the European Union since its establishment has been commented on.

1. European Union Ideal

The idea to unite countries in Europe under one administration or acting together against possible outer treats date back to middle ages. Not to mention during the ruling of Roman Empire, sporting events, the Olympics can also be accepted as a form of unity. Following the collapse of Roman Empire, Church continued the aim of unity as it considered European Unity under a ruler with a religious administration.[1]

The idea to unite countries was represented by Augustinus in the Middle Ages and by Kant in New Age.[2] It was Matthias Corvinus, King of Hungry who attempted to form a union to strenghten West Europe in 1485.[3] 200 years later in his famous essay "Present and Future Peace of Europe" William Penn initiates one of the first moves to provide continous peace in Europe.

He starts with the lines;[4]

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[1] Memduh Yaşa, *Cumhuriyet Dönemi Türkiye Ekonomisi 1923-1978*, Akbank Kültür Yayını, (İstanbul: Apa Ofset Basımevi, 1980), p. 440.

[2] Beril Dedeoğlu, *Adım Adım Avrupa Birliği*, (İstanbul: Çınar Güncel Yayınları, Nisan 1996), p. 61.

[3] www.catholic.org/encyclopedia/view.php?id=7740

[4] An Essay Towards the Present And Future Peace of Europe, www.fredsakademiat.dk/library/penn.pdf

"He must not be a man, but a statue of Brass or Stone, whose bowels do not melt when he beholds the bloody tragedies of this war in Hungary, Germany, Flanders, Ireland, and at Sea…"

The essay summarizes the situation of that time in Europe, explains the significance of peace and its benefits extensively.

In the next century Abbe de Saint Pierre, the French writer proposes an international organization to provide peace in Europe. Following the ideas of Saint Pierre, Jean-Jacques Rousseau and Emmanuel Kant contribute to peace efforts in Europe during the period. In the 19th Century Claude Henri de Saint Simon writes "Re-organization of European Society". The work calls for parliamentarian administrations in Europe and if possible for a single parliament which will lead to the integration of Europe. Then in 1849 "European United States" concept is put forward by Victor Hugo in his speech in Peace Conference in Paris.[5]

In our age, contemporary history of the integration can be started from "Pan-European Union", a movement by Count Richard N. Coudenhove Kalergi that he started in Vienna in the early 1920s.[6] He dreamt of forming a currency and customs union stretching from Portugal to Poland with his own parliament consisting of an upper and a lower house. In 1923 Coudenhove Calergi's work "Pan-Europe" and "Pan-European Movement" adds a new dimension to European Unity. However, Kalergi's Pan-european Union idea was not accepted widely[7].

2. European Economic Integration Process

Efforts made towards forming a European Union as we see today dates back to post war period after the second world war. Devastating effects of second world war requires reconstruction of the economy of the Old Continent and establishing a lasting peace. Therefore IInd. World War is a milestone in the governance of old Continent. Yet, in a politically divided Continet quite fierce debates were conducted on the form of unity at that time. Winston Churchill made a significant speech on September 19th, 1946 in Zurich, Switzerland. Starting with the

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[5] Asle Toje, Unity in Diversity, Reflections on the Idea of Europe, *paper prepared for NISA Conference*, (Denmark: University of Southern Denmark, 23-25 May, 2007) (this paper can also be found at: http://www.sam.sdu.dk/politics/nisa/papers/Toje.pdf).

[6] Michael Gehler, "From Pan-Europe to the Single Currency: Recent Studies on the History of European Integration", *Contemporary European History*, 15, 2 p. 274.

[7] Rıdvan Karluk, *Avrupa Birliği ve Türkiye*, (İstanbul: Beta Yayınları, 2003), p.1.

beautiness of the Continent and its ancient history, he proposes a "European Group" and regional organization of Europe.[8]

The Organization for European Economic Cooperation (OEEC, known as OECD today) was founded in 1948 as the European Organization of Marshall Plan. The Council of Europe, a seperate supranational organization, was set in 1949. The Organization has 47 members. Its field of activity are all kind of issues related with European Interest, namely all political economic and social matters. However, it does not have any power to make laws and it can suggest non-binding resolutions and draft conventions to member states.[9] It states its main objectives as protecting human rights, pluralist democracy and the rule of law besides, promoting awareness and encouraging the development of Europe's cultural diversity.[10]

2.1. European Coal And Steel Community To European Union

In the early 1950s efforts of French Foreign Minister Robert Schuman together with French Development Organization's President Jean Monnet resulted in the first integrational organization, European Coal and Steel Community (ECSC). Robert Schuman made a declaration on 9th May 1950. In his declaration he stated that;[11]

"Franco German production of coal and steel as a whole be placed under a common High Authority within the framework of an organization open to participation of the other countries of Europe.."

Countries once fought with each other agreed to form a poll for power sharing over their coal and steel production.[12] The Agreement was signed on April 18, 1951 by and among Federal Rebuplic of Germany, France, Italy, Belgium, the Netherlands and Luxemburg.[13] The agreement was limited to 50 years and ECSC passed away in 2002. Following the achievement, the Sixers (six country that established ECSC) established the European Atomic Energy Community (EURATOM=EAEC) and European Economic Community (EEC) in

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8 Winston Churchill's speech, http://www.coe.int/T/E/Com/About_Coe/DiscoursChurchill.asp

9 Walter Van Gevren, *European Union: A Polity of States And Peoples*, Palo Alto, (CA,USA: Stanford University Pres), p. 11.

10 http://www.coe.int/T/e/Com/about_coe/

11 Robert Schuman's Declaration, it can be reached at http://europa.eu/abc/symbols/9-may/decl_en.htm.

12 Pascal Fontaine, *12 Derste Avrupa, Avrupa Birliği*, Avrupa Dokumentasyon Serisi, (Luksemburg: Avrupa Toplulukları Resmi Yayını, 2005), p. 32.

13 http://www.dtm.gov.tr/sorular/ab/demir.htm (see also http://ekutup.dpt.gov.tr/ab/anlasma.pdf for full text of the agreement)

Rome on 25th March 1957. These agreements came into force on January 1st 1958. The idea beneath EURATOM was to lessen dependence to oil. EEC on the other hand demonstrated an extensive scope. Its objectives were defined as follows[14];

- to maintain healthier functioning of international regulations and contribute to the consistency of world's economic and political balance,
- to use a united Europe power in order to increase life standarts in Europe and provide continous expansion,
- to recover West European Markets which are divided into small pieces particularly because of protective policies from the economic restrictions and turn them into more unrestricted and stronger
- to establish a common market in Europe and approximate the member countries economic situations to each other,
- to end the competition and international conflicts in defence industry
- to have an important place in the World's economic and political structure
- to provide the most productive use of industry, agriculture and other resources and turn them into a single economic region that would bring the community a significant advangate
- to provide a complete unity of customs monetary and economic

Economic Community is a kind of customs agreement among member countries.[15] First customs restrictions and import quotas were to be removed. In the Agreement strong provisions were imposed to prohibit actions such as monopoly and dumping against free trade of goods and services.

European Economic Community have realized six rounds of enlargement so far in the years 1973, 1981, 1986, 1990, 1995, 2004 and 2007. In 1973 Denmark, Ireland and United Kingdom, in 1981 Greece, in 1986 Portugal and Spain, in 1990 East Germany, in 1995 Austria,

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[14] Sefer Sener, The Analysis of Contributions of the Full Membership of Turkey in the Context of Transformationsin the European Union Development Process, Acta Academica Karviniensia, 2006, 1, p. 162.

[15] Haluk Cillov, *Türkiye Ekonomisi,* İstanbul Üniversitesi İktisat Fakültesi, (İstanbul: İstanbul Üniversitesi Yayını No: 1132, 1965), pp. 456-457.

Finland and Sweden, in 2004 South Cypriot Greek Administration, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovac Republic, Slovenia, and in 2007 Bulgaria and Romania became members of the Organization. Today The Organization have 27 member countries.

Merger Treaty is another agreement that ECSC, EEC and EURATOM's executives were merged in Brussels in 1965.[16] Single European Act (SEA) is another milestone in the history of European Integration. By this treaty fully integrated European economy or "the Single Market" significantly expanded the range of policy areas in which the EEC could begin making its own policy and laws.[17] "The single European Act was signed in February, 1986 and entered into force on July 1, 1987. It has extended the Community's field of competence and brought about significant changes in relations between the institutions and in their operating rules. It also gave formal legal status to European Political Cooperation, which is operational since 1970 simply on the basis of intergovernmental agreements.[18]

In addition, Organization's name changed to "European Union" by the agreement signed on December 9-10, 1991 in Maastricht, the Netherlands. European Union Agreement also known as Maastricht Treaty came into force on November 1, 1993 and European Union was officially founded.[19] The Treaty initiated the process of Economic and Monetary Union (EMU) and, again significantly expanded the policy making authority of EU institutions.

Currently, European Union has 27 members, 13 of which form euro area. Total population of the Union is 492,8 million people.[20] In the next section European Economic Integration and European Monetary Union are briefly summarized.

2.2. European Economic and Monetary Integration

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[16] http://www.delmkd.ec.europa.eu/en/europe-a-to-z/eu-timeline.htm

[17] Richard Deeg, "Contemporary Challanges to German Federalism: From the European Union to the Global Economy, *Law ad Policy in International Business*, Volume:33. Issue: 1, 2001, p51. Georgetown University Law Center; Copyright 2002 Gale Group.

[18] Emile Noel, "*Working Together, Institutions of The European Community*", (Brussels, Luxemborg: European Documentation, Periodical, 1991) p. 5 (this document can be reached at; http:/ /aei.pitt.edu/ 5876/01/003897 _1.pdf)

[19] http://www.ikv.org.tr/pdfs/kronoloji1.pdf

[20] *Eurostat news release*, "EU and euro area enlargement on 1January 2007, The new EU of 27 and euro area of 13, Luxembourg, 167/2006, pp. 2-3.

In his article in 1978 Brenner compares a monetary union in Europe to a phoenix, a bird of tales believed to burn itself to death and emerge from the ashes as a new phoenix.[21] However, phoenix re-emerged in 1970 has successfully been hovering for some 30 years.

"Monetary integration is the phoenix of the European Economic Community. Periodically it rises from the ashes of previous incarnations to hover uncertainly over the Community landscape, only to falter and to consume itself, not in fire but in self-doubt. After an interment far shorted than the mythical 500 years, the idea reemerges, impelled upward by the force of need and assisted by the faithful midwives to the Community ideal"[22]

At its meeting in November 1959 the Action Committee proposed some bold proposals for developing a European financial policy by;[23]

- Freeing capital movements between the Sixers in such a way as to establish a real European capital market and thus to increase the Community's investment potential;
- Coordinating the budgetary and credit policies of the Sixers in order to avoid the erratic movement of capital and of merchandise which would result from divergence of policy in this field, and to further overall economic expansion against a background of price stability;
- Setting up a European reserve fund which would centralize at least a part of the Sixers's monetary reserves and in time of need enable the mutual aid procedures provided for in the Treaty to be put into operation, thus safeguarding the currencies of member countries.

Following the collapse of Bretton Woods System a new Exchange rate mechanism among member countries were established. 1970s Werner Report indicated significant changes in the monetary system of member countries. EMU is an agreement among member countries of European Union to adopt a single currency and monetary system in their

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[21] wordnet.princeton.edu/perl/webwn

[22] Michael Brenner, Monetary Policy: Processes and Policies, *Annals of the American Academy of Political and Social Science*, Vol. 440, The European Community after Twenty Years, November 1978, pp. 98-110.

[23] Action Committee for the United States of Europe, Statements and Declarations 1955-67, p.46. Chatham House/PEP European Series No 9, 1969; acquired from: "Jean Monnet: A Grand Design for Europe", *European Communities –Commission,* Luxemburg Office, European Documentation Series—5/1988, p 28 (this document can be reached at: http://aei.pitt.edu/4561/01/003906_1.pdf).

transactions. In March 1972 the Sixers decided to take common action against fluctuations in dollar and fluctuations among their currencies. They implemented a system called "snake in the tunnel". Band of currency fluctuation among member countries represented the snake and band of dolar fluctuations against member countries currencies represented the tunnel. Snake in the tunnel was reviewed in March 1973 and a new system was implemented. In Bremen summit member countries agreed on European Monetary System plan in 6-8 July 1978. The plan was about implementing a 3-leg monetary system. The system included realization of European Currency ECU, exchange rate mechanism and credit mechanism[24] The purpose of the mechanism was to keep Exchange rate fluctuations of West European Economies within an acceptable band. European Monetary System that came into force in 1979 attempted to provide economic stability in member countries and improve the harmonization of economic systems accross member counries. In this regard a pool of European Currencies was formed and named as ECU.

By the 'Delor's Report' of European Council in 1989, a three phase plan that targeted realization of economic and monetary union was put forward. This plan had been finalized by a committe chaired by Jacques Delor, president of European Commission in 1988. The Committe's plan proposed to reach full economic integration. It included establishment of European Central Bank, and single currency. In addition the report summarized the committe's opinions of the efforts made towards economic and monetary union during the process of European integration. European Community implemented the first phase between 1990-1993 period when the efforts of establishing closer cooperation between central banks were made. European Community commenced the first phase that comprised member countries undertook the responsibility to achieve following economic and monetary goals by January 1, 1994; [25]

- All restrictions for capital movements among member countries and third world countries will have been removed.
- Price stability and a more powerful public finance will have been established
- Central banks will become independent organizations.

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[24] Arıkan Kar , *Avrupa Birliği Ortak Politikaları*, (İstanbul: Beta Yayıncılık, 2003), pp. 191-193.
[25] Delors Report: http://ec.europa.eu/economy_finance/euro/origins/delors_en.pdf

At the same time preparatory work for an extensive agreement were being conducted and as a result Maastricht Treaty was signed. On November 1st, 1993 Maastricht Treaty came into force and the second phase of monetary union started. European Monetary Institute was established to do preparatory work for the ESCB-European System of Central Banks. In the second phase, member countries undertook the following responsibilities between the years of 1994-1998 period;[26]

- Establishing strong ties among member countries' central banks
- a coordinated system for monetary issues
- Observing European Monetary System
- Taking over monetary cooperation fund
- Facilitating the use of ECU
- Managing of the foreign exchange reserves of central banks by member countries

As mentioned in the former part, the Treaty initiated the process towards economic and monetary union. The Treaty set out a number of economic convergence criteria for member countries to participate in EMU. These criteria were a precondition to be completed for member countries before they could join EMU. These four convergence criteria are; price stability, public finances, exchange rate stability, interest rates.

Criterion on price stability;

The first indent of Article 121 (1) of the Treaty requires; "Achievement of a high degree of price stability; this will be apparent from a rate of inflation which is close to that of, at most, the three best performing member states in terms of price stability…"[27]

Member country must achieve annual inflation rate of 1,5 in the three member countries with the lowest inflation rate. In other words, the inflation rate of a given member state should not exceed by more than 1,5 % that of the three best performing member states during the year preceding the examination of the situation in that member state.

Criterion on sustainability of public finances;

[26] http://www.ecb.int/ecb/history/emu/html/index.en.html (online on September 15, 2007).

[27] "Assesment of the Fulfilment of the Maastricht Convergence Criteria and the Degree of Economic Alignment of the Czech Republic with the Euro Area", *A Joint Document of the Ministry of Finance of Czeczh Republic and the Czech National Bank*, approved by the Government of the Czech Republic on 25 October 2006.

The second indent of Article 121 (1) of the Treaty requires; "the sustainability of the government financial position; this will be apparent from having achieved a government budgetary position without a deficit that is excessive, as determined in accordance with Article 104 of the Treaty…"[28]

This criterion has two sub-criteria. These are about fiscal balance and debt sustainability. According to the criterion the ratio of the annual government deficit to gross domestic product (GDP) can not exceed 3 % of the reference value defined in the protocol. Secondly, the ratio of gross government debt to GDP must not exceed 60% of the reference value defined in the protocol.

Criterion on exchange rate stability;

The third indent of article 121 (1) of the Treaty requires "the observance of the normal fluctuation margins provided for by the exchange rate mechanism of the European Monetary System, for at least two years without devaluing against the currency of any other member state.."[29]

It states here that the member states must have participated the exchange rate mechanism of the European monetary system without any break during the two years before assessing the success of any member country in subject.

Criterion on the long-term interest rates;

The fourth indent of Article 121 (1) of the Treaty requires; "the durability of convergence achieved by the member state and of its participation in the exchange rate mechanism of the European monetary system being reflected in the long term interest rate values…"[30]

It states here that the nominal long-term interest rate must not exceed by more than 2 percentage points that of at most the three best-performing member states in terms of price stability (the same member states as those in the case of the price stability criterion).

European Council's Madrid meeting between the dates of 15- 16 December 1995 confirmed the starting date of stage three as 1st January 1999. It also named the currency of European Union as 'Euro'.[31] Prior to

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[28] "Assessment Of The Fulfilment…"
[29] "Assessment Of The Fulfilment…"
[30] "Assessment Of The Fulfilment…"
[31] The European Council Madrid, 15-16 December 1995, *Bulletin of the European Communities*, Bull EU 12-1995, p. 9.

the third phase of economic and monetary union in EU Council's meeting in May 1998 in Brussels, it was determined that eleven countries had met convergence criteria. During the second phase England and Denmark had already declared that they would not pass to stage 3. In the third stage eleven countries' (Germany, Austria, Belgium, Finland, France, the Netherlands, Spain, Italy, Luxemburg and Portugal) currency rates fixed irrovacably to EURO exchange rate. Therefore Euro also replaced ECU. While Denmark and England had announced before that they would not enter the Euro zone (area), Greece and Sweden remained as candidate countries for they could not meet the convergence criteria. However Greece soon recovered its economic condition and it became a Euro-zone member by January 1st, 2001 in European Council's meeting in Feria. Currently, Euro area has 13 members; Belgium, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal, Slovenia and Finland. The last EU country to enter Euro area was Slovenia on January 1, 2007. Total population of euro area as of 1st January 2007 is 316,6 million.[32]

For the countries outside euro area (Denmark, Estonia, South Cyprus Greek Administration, Latvia, Lithuania, Malta, and Slovakia) a new exchange rate mechanism was established. New exchange rate mechanism is also known as ERMII. European Council decided to establish an exchange rate mechanism in the third stage of economic and monetary integration on 16 June 1997 in Amsterdam. This resolution was built upon the agreements reached at the Council's prior meetings in Florence and Dublin. The resolution stated that new exchange rate mechanism would be operated under the procedures that would be organised by an agreement between the European Central Bank and the national central banks of the member states outside euro area.[33] In additon the following objectives were declared.

- Sustaining exchange rate stability for lasting convergence of economic fundamentals, thus pursuing a disciplined and responsible monetary policy aiming at price stability

[32] *Eurostat news release*, "EU and euro area enlargement on 1 January 2007, The new EU of 27and euro area of 13, Luxembourg 167/2006, pp. 2-3.
[33]EU council's resolution on ERMII, you can reach at: http://ec.uropa.eu/economy_finance/euro/documents/resolution-erm%20_amsterdam_en.pdf

- Creating a stable economic environment in order to have a good functioning market and reach higher levels of investment, growth and employment
- Ensuring that member states outside the euro area adopt their economic and monetary policies to stability

Euro started to be used as banknotes on January 1st, 2002. At this phase it was forecasted that both Euro and other currencies would be in the market and only Euro would remain in the market as a single currency as of July 1, 2002. Euro existed only as a book unit of account, so no actual euro notes and coins were distrubuted. During this period large multinational firms such as France's Alcatel, Germany's Daimler Benz, Finland's Nokia, and US's Chase Manhattan adopted the Euro for European accounting and financial reporting purposes.[34] Chabot explains introduction of euro in three phases as phase a, b and c. It can be seen in Table 1;

Table 1:

Euro's Introduction

[34] Christian Chabot, *Understanding the Euro: The Clear and Conscise Guide to the New Trans-European Economy*, Blacklick, (OH, USA: McGraw-Hill Professional Book Group, 1998). p.6.

Introducing the Euro in Three Phases

May 1998	**PHASE A:**	*Preparation for EMU, May 2, 1998 to January 1, 1999*
8 months		•Participating countries determined •Permanent bilateral exchange rates between national currencies announced •European Monetary Institute transformed into European Central Bank •First production of Euro notes and coins
January 1999	**PHASE B:**	*Beginning of EMU, January 1, 1999 to January 1, 2002*
3 years		•Exchange rates between the euro and all national currencies irrevocably locked. •Euro introduced as legal currency for "book" transactions •European Central Bank (ECB) takes over responsibility for monetary policy in single currency area. •All new government bonds in participating countries issued in euros •Money markets, foreign exchange markets, and clearing systems immediately change over to euros •Firms and individuals convert to euro under "no cumpolsion, no prohibition" rule
January 2002	**PHASE C:**	*Money exchange, January 1, 2002 to July 1, 2002*
Max. 6 months		•Euro notes and coins appear for the first time •National currencies exist alongside the euro •National currencies cease to be accepted as means of payment on last day of period

Source: Christian Chabot, *Understanding the Euro: The Clear and Concise Guide to the New Trans-European Economy*, Blacklick, OH, USA: McGraw-Hill Professional Book Group, 1998, p. 7.

3. Economic and Financial Performance of the Euro Area

Following are tables of macroeconomic indicators of the European Union and the Euro Area. Growth rates, employment, unemployment, inflation, international trade volumes and investments are given to discuss the performance of the Euro Area.

3.1. Growth Rates

Economic growth is basically indicated as the increase in the real GDP. In other words, increase of productivity in a given country in given circumstances is accepted as economic growth.

Table 2a:

Growth Rates of European Union Member Countries in Percentage (1965-2004).

	1965	1970	1975	1980	1985	1990	1995	2000	2004

Belgium	2,29	6,35	-1,32	4,47	1,65	3,13	2,38	3,84	2,91
France	4,77	5,73	-0,27	1,85	1,93	2,67	2,35	4,06	2,31
Germany	-	-	-1,04	1,27	2,19	5,72	1,89	3,20	1,56
Italy	3,26	5,31	-2,04	3,47	2,97	1,97	2,92	3,02	1,22
Luxembourg	1,92	1,70	-6,57	0,84	2,79	5,31	1,43	9,02	4,54
Netherlands	5,24	5,69	0,17	1,68	2,65	4,06	3,03	3,46	1,43
Denmark	-	-	-1,72	2,56	6,55	0,96	2,75	2,63	2,38
Ireland	-	-	5,65	3,07	3,08	8,46	9,63	9,91	4,87
U.K.	-	-	-0,54	-2,06	3,56	0,75	2,85	3,85	3,13
Greece	-	-	-	-	2,50	0	2,09	4,47	4,16
Portugal	-	-	-	-	-	3,95	4,28	3,37	0,95
Spain	-	-	-	-	-	7,32	4,93	3,42	4,08
Austria	-	-	-	-	-	-	1,90	3,35	2,16
Finland	-	-	-	-	-	-	3,44	5,11	3,66
Sweden	-	-	-	-	-	-	4,05	4,32	3,59

Source: *Compiled From World Bank Database*
Numbers represent annual change rate compared to previous year
(-) represents non-member during the period

In table 2a, growth rates of European Union Member Countries can be seen since their accession to European Union. Growth rates of the countries gained pace with their accession to EU. In 1965s and 1970s growth rates of 5% were reached. In 1973 Denmark, Ireland and United Kingdom joined the Union. During this period, negative values in growth rates were recorded as a result of the oil crises. Starting from 1980s new member countries joined and the economic situation in the Union recovered. Luxembourg was in the forefront during 2000s with the growth rate of 9% and Ireland 9% during 1990, 1995 and 2000.

Table 2b:
Growth rates for Euro Area (13), Japan and USA in Percentage (2000-2007).

Years	2000	2001	2002	2003	2004	2005	2006	2007
Euro Area	3,9	2,0	1,2	1,3	2,5	1,8	3,0	2,9
USA	3,7	0,8	1,6	2,5	3,6	3,1	2,9	2,2(f)
Japan	2,9	0,2	0,3	1,4	2,7	1,9	2,2	2,3(f)

Source: Compiled From Eurostat
Numbers represent annual change rate compared to previous year
(f) represents forecast

As seen in table 2b, in the first years of EMU in 2000, the World's economic situation was in a recovery phase of the crises occured in Asia and Latin America Countries as well as in Russia. Starting from 1998 fall term, financial markets began to develop and a confident environment was created due to relaxation of monetary policies by developed countries. US economy continued to the biggest share in the World economy. Japanese economy also started to recover in the second half of 1999 following a stationary period.

EMU had high growth rates in the first years of integration. Strong institutional structure to regulate macro economic policies and institutional reforms demonstrated its effects in the first three years of EMU. In this period high interest rates that caused limitation for the investments decreased. Structural reforms in the goods, services and labor markets of the member countries helped improve privatization and liberalization efforts and reflected positively on consumer spendings.

Some of the other factors for the increase in growth can be noted as wide information technology use and stock valuation that created a positive climate in the economy. Following these developments growth rate of the Euro area rose beginning from mid 1999. GDP was recorded around 3% until mid 2000. Fast enlargement supported by strong domestic demand and exports.

However, a short interval of decrease followed the increase in 2000. Growth rates followed a falling trend between 2001 and second half of 2002. Increase in the oil prices, September 11 incidents, regulations on the stock prices caused slow down of economic development. Decrease of World's trade volume affected Euro area countries negatively.

In 2001, World economy entered into recession. While it increased 12% the previous year, it went back 2% in 2001. With the valuation of US dollar against Euro, purchasing power in the Euro area weakened. On the other hand, decline of income expectations and downward float of stocks caused consumer confidence loss. Profit margins in the industry shrank and investments lessened. Contrary to shrinking in the World Trade in 2001 and weak growth in 2002, World economy started to recover in 2003. Economic activities stayed at a stationary status in EU. Although consumption increased in this period, GDP growth remained small compared to previous year. Main reason for the decline is the recession in exports and investments mainly. Starting from third quarter of 2003, Euro area economy started to recover. Growth trend was caught again together with the increased domestic consumption and exports as well as suitable international economic environment. However, GNP increase was obtained at a very limited level.

Economic revival in the World gained pace in 2004. Decline in the interest rates and strong growth rates occured in developing countries such as China. Growth became stronger with the growth movement in countries China, USA, Australia and new member countries of EU.

Euro area growth rate for 2004 was 2,4. It was recorded as 1,8 in 2005 and 3,0 in 2006. Growth in 2006 had been higher since 2000. Parallel to the world economy, continous inflation rate fall, supportive financial conditions and improvements in the structural reforms had played an important role on the economic development of the Euro area.[35]

3.2. Employment And Unemployment Rates

Employment rates indicate the annual change of employment rates compared to previous year. As it can be seen in Table 3.

Table 3a:

Employment Rates of European Union Member Countries in Percentage (1965-2004).

	1965	1970	1975	1980	1985	1990	1995	2000	2004
Belgium	*	*	*	*	0,28	-0,01	0,85	1,16	1,54
France	*	*	*	*	0,64	-0,14	0,52	0,60	0,68
Germany	*	*	*	*	0,35	2,81	0	-0,12	1,32
Italy	*	*	*	*	0,44	0,37	-0,37	0,61	-0,28
Luxembourg	*	*	*	*	0,70	2,04	-2,98	3,93	0,94
Netherlands	*	*	*	*	1,61	2,21	2,45	1,71	1,21
Denmark	-	-	-	*	1,77	1,03	1,45	-0,45	-0,93
Ireland	-	-	-	*	1,07	1,24	3,12	3,56	5,24
U.K.	-	-	-	*	0,88	0,32	-0,03	2,30	0,30
Greece	-	-	-	-	0,62	0,49	2,06	0,42	1,87
Portugal	-	-	-	-	-	0,86	0,17	1,54	1,25
Spain	-	-	-	-	-	1,44	0,79	3,0	2,31
Austria	-	-	-	-	-	-	0,84	0,21	-1,69
Finland	-	-	-	-	-	-	0,50	1,08	-1,14
Sweden	-	-	-	-	-	-	1,07	1,88	-0,45

Source; *Compiled From World Bank Database*
Numbers represent annual change rate compared to previous year
(-) represents non-member during the period

[35] OECD Economic Outlook, "Euro Area", Preliminary Edition, 2007, p.1.

(*) represents data non-available in the source

In table 3a employment rates can be seen. Employment rates increase was observed over 1% only in Denmark, Ireland and the Netherlands. Other countrise remained behind this ratio. Germany reached 3% employment rate in 1990 while Netherlands and Luxembourg recorded 2% increase. According to EU's average ratio, only Ireland sustained high level employment growth for ten years. However, significant decreases were observed in other member countries in the last ten years.

Table 3b:

Employment Rates of Euro Area (13), USA and Japan in Percentage (2000-2007).

Years	2000	2001	2002	2003	2004	2005	2006	2007
Euro Area	2,5	1,5	0,6	0,4	0,9	0,8	1,4	*
USA	2,0	0,0	-1,1	0,0	1,0	1,6	*	*
Japan	-0,1	-0,6	-1,4	-0,3	0,2	0,4	*	*

***Source;** Compiled From Eurostat*
Numbers represent annual change rate compared to previous year
(*) represents data non-available in the source

Unemployment rates indicate the annual change of unemployment rates compared to previous year. As it can be seen in Table 4.

Table 4a:

Unemployment Rates of European Union Member Countries in Percentage (1965-2004).

	1965	1970	1975	1980	1985	1990	1995	2000	2004
Belgium	*	*	*	*	-11,03	7,19	9,30	6,59	7,40
France	*	*	*	6,09	10,20	9,19	11,60	10	9,08
Germany	*	*	*	*	*	*	8,10	7,80	9,80
Italy	*	*	*	7,59	10,30	11,40	11,50	10,50	8,00
Luxembourg	*	*	*	*	3,00	1,6	2,90	2,40	4,80
Netherlands	*	*	*	4,59	13,10	7,40	7,00	3,30	
Denmark	-	-	-	*	7,80	3,30	7,00	4,50	6,19
Ireland	-	-	-	*	16,70	13,00	12,20	4,30	4,40
U.K.	-	-	-	*	11,30	6,80	8,60	5,50	4,59
Greece	-	-	-	-	7,80	7,00	9,10	11,10	10,20
Portugal	-	-	-	-	-	4,69	7,19	3,90	6,69
Spain						16,00	22,70	13,90	11,00
Austria	-	-	-	-	-	-	3,7	3,59	4,90
Finland	-	-	-	-	-	-	15,4	9,80	8,89

Sweden	-	-	-	-	-	-	9,10	5,80	6,50

Source; *Compiled From World Bank Database*
Numbers represent annual change rate compared to previous year
(-) represents non-member during the period
(*) represents data non-available in the source

Table 4a shows that the least unemploylent rates were seen in Luxembourg with the average of 3% and the highest unemployment rates were seen in Spain with the average of 16 %. Austria ranks in the second with the 4% average in the table. Except for Germany's unemployment rate of -11,03 in the year 1985 no deviations could be observed.

TABLE 4b:

Unemployment Rates for Euro Area (13), USA and Japan in Percentage (2000-2007).

Years	2000	2001	2002	2003	2004	2005	2006	2007
Euro Area	8,1	7,9	8,3	8,7	8,9	8,6	7,7	*
USA	4,0	4,8	5,8	6,0	5,4	5,1	4,6	*
Japan	4,7	5,0	5,4	5,3	4,7	4,4	4,1	*

Source; *Compiled From Eurostat*
Numbers represent annual change rate compared to previous year
(*) represents data non-available in the source

Table 4b includes Euro area, USA and Japan betwen the years of 2000-2007. It shows 8% unemployment rate in Euro area starting form the year 2000, and 5% for USA and Japan.

Employment growth is one of the main policy principles of EU. In 1999, EU adopted the following principles in order to realize high level sustainable growth and employment;[36]

- Following strong economic policies for growth, employment and price stability. These policies should be harmonized with the stability and growth pact. Continous and decent salary increases should be provided.
- Implementing employment principles that improve general functioning of labor markets and shape them according to the conditions of member countries.
- Implementing economic reforms towards improving effectiveness and flexibility of goods, services and capital markets.

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[36] European Council Resolution of 22 February 1999 on the 1999 Employment Guidelines, *Official Journal C 069 , 12/03/1999 P. 0002 – 0008,* http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31999Y0312(01):EN:HTML

Employment growth occured together with the growth of gross domestic product. One of the main reasons for employment increase is structural reforms made in the labor markets. A strong employment increase was observed and unemployment followed a decreasing trend. Employment capacity also improved due to labor market reforms during preparation period 1999-2001 towards Euro. Starting from 2002 growth rate of employment became stable. Later, employment growth increased one percent in each following year; 2003, 2004, 2005 and 2006 in Euro Area. However, Japan and USA could not achieve the same figures.[37]

As seen in table 4b, labor market reacted slowly to the economic slow down in the world and in EU from 2001. As a result employment increase recorded as 1,5% in 2001 to 0,4% in 2003 Parallel to employment increase in Euro Area, unemployment rate stayed at 8% until mid 2001. Unemployment rate increased to 8,3% in 2002. In the following years, unemployment rates increased as before. In 2004, 2005 and 2006 unemployment rates increased by 8,4%. Contrary to these figures, the same rates in the USA was recorded by 5% and %4,4 in Japan. It shows that unemployment is more common compared to other countries. As the recession in the economy became serious, companies moved towards decreasing the number of employers in order to sustain their profitability.

March 2000, Lisbon summit is an important meeting of EU where total employment rates and female employment rates objectives were defined as part of a plan to become world's biggest knowledge based economy. One year later new targets for mid-terms and total employment rates were put forward. According to the targets;[38]

- Total employment rate will be closer to 70% by 2010 and will be around 67% by 2005.
- Female employment rate will be more than 60% by 2010 and will be 57% by 2005.
- Employment rate for older workers will be 50% by 2010

Five years after setting these targets, it can be seen that no significant improvements have been recorded. Ratio increased from 62,5% to 64,4% between 1999 to 2003. Employment rate of older workers for which 60%

[37] *European Union Economic Pocketbook*, European Union Commission, KS-CZ-07-01, Luxembourg, 2007, pp. 106-107.
[38] http://www.europarl.europa.eu/highlights/en/1001.html

was targeted by 2010 was 40% in 2003. However, partial improvements were recorded in labor productivity. Economic slowdown affected social integration issues negatively even made them worse and more complex. It especially affected national and regional employment and employment performance. Employment growth and productivity increase in the EU depends on the advanced level structural reforms in goods, services and financial markets besides labor markets.

3.3. Inflation Rates

Inflation rates indicate the annual change of inflation rates compared to previous year. As it can be seen in Table 5.

Table 5a:

Inflation Rates of European Union Member Countries in Percentage (1965-2004).

	1965	1970	1975	1980	1985	1990	1995	2000	2004
Belgium	6,39	4,54	12,15	4,09	4,62	2,81	1,22	1,26	2,28
France	2,73	5,63	12,97	10,78	5,45	2,17	1,02	1,35	1,63
Germany	*	*	5,46	4,77	2,16	3,21	1,87	-0,67	0,38
Italy	4,19	6,86	16,46	21,35	8,91	8,22	5,02	2,19	2,61
Luxembourg	2,79	15,09	-0,85	7,92	3,09	2,51	2,33	4,15	2,47
Netherlands	6,11	6,17	10,19	5,49	1,80	2,22	2,02	3,94	1,19
Denmark	-	-	13,84	8,06	4,92	3,65	1,75	2,97	1,59
Ireland	-	-	20,13	8,06	4,92	3,65	1,75	2,97	1,59
U.K.	-	-	26,99	14,70	5,18	-0,72	3,03	4,81	3,48
Greece	-	-	-	-	19,02	20,69	9,79	3,37	3,38
Portugal	-	-	-	-	-	13,14	3,42	3,46	2,51
Spain	-	-	-	-	-	7,32	4,93	3,42	4,08
Austria	-	-	-	-	-	-	1,94	1,76	1,90
Finland	-	-	-	-	-	-	4,77	3,18	0,77
Sweden	-	-	-	-	-	-	3,37	1,31	0,77

Source; Compiled From World Bank Database
Numbers represent annual change rate compared to previous year
(-) represents non-member during the period

(*) represents data non-available in the source

Following the oil crises in 1973 inflation rates of European Union countries remained over 10%. It can be seen in table 5a, that the Euro area countries have kept their inflation rates at acceptable rates (according to Maastricht criteria) since 1985. However, Italy and Greece could not show the same performance during those years. Their inflation rates were realized as 8,91% and 19,02%. Italy with the inflation rate of 8,22% in 1990 had similar inflation rates like Greece with the inflation rate of 20,69% and Portugal with the inflation rate of 13,44%. Starting from 2000 these countries also achieved the inflation rate targets. One of the significant issues here is that the European Union membership and its support helped these countries eliminate the risk of high inflation rates. Italy's problematic situation results from its own failure of structural reforms.

Table 5b:
Inflation Rates for Euro Area (13), USA and Japan in Percentage (2000-2007).

Years	2000	2001	2002	2003	2004	2005	2006	2007
Euro Area	2,1	2,3	2,2	2,1	2,1	2,2	2,2	*
USA	3,4	2,8	1,6	2,3	2,7	3,4	*	*
Japan	-0,7	-0,7	-0,9	-0,3	0	-0,3	*	*

Source; Compiled From Eurostat
Numbers represent annual change rate compared to previous year
(*) represents data non-available in the source

Price stability stands in the forefront in the implementation of Euro area monetary policy of European Central Bank. Reducing annual inflation (harmonized consumer price indices) below 2% level is one of the major targets of European Central Bank (ECB).

As it can be seen in table 5b, inflation rate stayed above target level between 2000-2006 period. It was caused by sudden price increases in the Euro area. Contrary to short term price increases, inflation estimations remained low and suitable to European Central Bank' s price stability targets. With regard to general monetary policy, ECB created a stable macroeconomic environment by its commitment to price stability. Stable macroeconomic environment is crucial for EMU's long term economic performance.

In the first year of EMU's third phase in 1999, inflation remained at low levels, starting from 2000 consumer prices exceeded 2% margin. In the increase of consumer prices, price volatility of import goods and food were effective. Oil prices went up in 1999-2006. However, Euro lost value against currencies of its commercial partners until 2004. Therefore inflation followed an increasing trend from mid-2000 to first quarter of 2003. In 2001 it reached its highest level 2,3. However recorded inflation rates in July met the criteria of ECB on the 2% mid-term inflation target. Inflation rate was recorded as 2,1% at the end of the year. Inflation rates in the years 2004, 2005 and 2006 were observed at close levels to each other.

Euro area average was recorded as 2,1%. Although there had been price increases, inflation rate was sustained just above 2% which was targeted by ECB. This ratio was 2,2% in the years 2005 and 2006. However, Japan had negative inflation ratios whereas the US economy recorded higher inflation rates compared to Euro Area.

3.4. Foreign Trade, Export and Import Volumes

Following part of the study includes exports and imports volume of the European Union and the Euro Area as well as Japan and the USA.

3.4.1. Exports

Exports rates indicate the annual volume change of exports compared to previous year. As it can be seen in Table 6.

Table 6a:

Export Rates of European Union Member Countries in Percentage (1965-2004).

	1965	1970	1975	1980	1985	1990	1995	2000	2004
Belgium	8,50	9,27	-9,03	-0,15	0,33	4,37	4,75	7,74	5,44
France	-	13,88	-1,71	2,69	2,06	3,95	7,57	11,06	2,96
Germany	-	-	-6,10	5,16	6,83	11,69	5,96	11,91	8,22
Italy	-	5,50	1,46	-9,44	3,71	6,98	11,18	8,81	3,07
Luxembourg	-	8,28	-18,70	-1,46	8,08	5,29	4,37	14,76	7,58
Netherlands	-	10,60	-3,13	2,01	4,88	5,28	8,07	10,16	7,67
Denmark	-	-	-1,37	6,02	4,73	5,81	2,67	11,90	3,83
Ireland	-	-	7,02	5,97	6,17	8,02	16,63	16,92	4,21
U.K.	-	-	-2,98	-0,32	5,65	5,17	8,47	8,62	2,92
Greece	-	-	-	-	1,79	-3,59	2,91	12,37	9,11
Portugal	-	-	-	-	-	8,66	8,12	7,22	4,43
Spain	-	-	-	-	-	4,48	8,59	9,13	2,65
Austria	-	-	-	-	-	-	4,16	7,25	3,66
Finland	-	-	-	-	-	-	5,58	5,60	2,79

Sweden	-	-	-	-	-	-	2,33	6,64	4,16

Source; Compiled From World Bank Database
Numbers represent annual change rate compared to previous year
(-) represents non-member during the period

Table 6a shows the exports rates of member countries. It is seen that exports rates increase shrank during 1975 because of the oil crises. Moreover, except for Ireland and Italy exports rates remained at minus rates during those years. Exports rates increases seen in France, Germany, the Netherlands, Denmark and Ireland in 1980 resulted in the recovery of 12 countries in 1985. While Belgium and France recorded low levels of increase and except for Greece's -3,59% in 1990 exports rates remained at average 5% levels. Germany's 11,69% export rate of 1990 is significant. Besides Ireland also recorded significant rates with 16,33% in 1995 and 16,63% in 2000. Germany with the rate of %8,22 and Greece with the rate of %9,11 are successful countries of the year 2004.

Table 6b:
Export Rates for Euro Area (13), USA and Japan in Percentage (2000-2007).

Years	2000	2001	2002	2003	2004	2005	2006	2007
Euro Area	12,2	3,7	1,7	1,1	6,9	4,2	8,3	6,7(f)
USA	8,7	-5,4	-2,3	1,3	9,2	6,8	8,9	7,0(f)
Japan	12,7	-6,9	7,5	9,2	13,9	7,0	9,6	7,3(f)

Source; Compiled From Eurostat
Numbers represent annual change rate compared to previous year
(f) represents forecast

High export rates of 2000 reversed during the years 2001,2002, and 2003. Yet a new increase trend can be observed starting from the year 2004. Same situation can also be seen in Japan and the USA. Following the loss of value of US dollar against Euro in 2003, it is seen that the US exports increased at high rates.

3.4.2. Imports

Imports rates indicate the annual volume change of imports compared to previous year. As it can be seen in Table 7.

Table 7a:

Import Rates of European Union Member Countries in Percentage (1965-2004).

	1965	1970	1975	1980	1985	1990	1995	2000	2004
Belgium	-	7,10	-9,98	-1,95	0,40	4,64	4,44	7,80	5,68
France	-	5,89	-10,72	4,73	4,33	5,30	6,56	12,99	6,43
Germany	-	-	3,43	2,71	3,64	9,69	6,11	9,22	6,31
Italy	-	13,80	-13,52	5,19	4,99	10,28	8,80	6,65	2,44
Luxembourg	-	15,96	-9,90	3,74	6,13	4,76	4,06	13,34	6,35
Netherlands	-	12,80	-3,85	0,15	6,06	3,64	9,51	9,52	7,01
Denmark	-	-	-3,36	-5,90	8,82	1,20	6,68	11,93	6,91
Ireland	-	-	-11,37	-4,70	3,14	4,83	14,09	17,53	2,60
U.K.	-	-	-6,99	-3,57	2,45	0,53	5,26	8,35	4,95
Greece	-	-	-	-	3,64	9,69	6,11	9,22	6,31
Portugal	-	-	-	-	-	12,66	6,90	5,23	6,45
Spain	-	-	-	-	-	8,77	9,96	9,53	7,38
Austria	-	-	-	-	-	-	-1,03	5,71	4,19
Finland	-	-	-	-	-	-	-3,81	1,42	8,57
Sweden	-	-	-	-	-	-	-5,60	5,38	7,07

Source; Compiled From World Bank Database
Numbers represent annual change rate compared to previous year
(-) represents non-member during the period

Table 7a shows import rates. High import rates of 1970 in Italy and Luxembourg and the Netherlands as 13,80%, 15,96% and 12,80% reversed and recorded at negative leves due to recession in the world economic markets in 1975. After the second oil crises in 1975 negative figures were recorded again. Positive import rates were seen again in 2000 and 2004. Ireland's import rates for 1995 and 2000 as 14,09% and 17,53% are significant.

Table 7b:

Import Rates for Euro Area (13), USA and Japan in Percentage (2000-2007).

Years	2000	2001	2002	2003	2004	2005	2006	2007
Euro Area	11,0	1,8	0,3	3,1	6,8	5,0	7,9	6,7(f)
USA	13,1	-2,7	3,4	4,1	10,8	6,1	5,8	3,2(f)

Japan	9,2	0,6	0,9	3,9	8,1	5,8	4,5	7,3(f)

Source; Compiled From Eurostat
Numbers represent annual change rate compared to previous year
(f) represents forecast

Table 7b shows import rates for euro area. World's trade volume demonstrated 8% increase during 1996-2000 period. due to import demand increase of the World and Euro's value loss against US dolar, Euro area goods and services exports increased. However, increase of oil prices, US import decrease, low demand both in and out of Euro area caused stationary economic status starting from 2001. Export rate increases had been at low levels during 2002. Net exports decreased 18%, due to increase in USdollar/ Euro real exchange rate and weak export volume of the World.

Net exports did not have significant effect on the growth until mid 2003. Outlook of Euro area on the exports item reflect the slow down of World imports. Other countries exports performance were better than Euro area. Weakened price competitivenes in the short term stated as a reason for this issue. Euro exports loss in the short term reversed again with the mid-term regulations.

Like the exports, 2000 is the year of increase in imports. High rates of imports in 2000 was in the fore of the increases during 2004-2005 and 2006.

3.5. Investments

Investment rates indicate the annual volume change of investments compared to previous year. As it can be seen in Table 8.

Table 8a:
Investment Rates of European Union Member Countries in Percentage (1965-2004).

	1965	1970	1975	1980	1985	1990	1995	2000	2004
Belgium	*	*	*	*	0,28	-0,01	0,85	1,16	1,54
France	*	*	-6,89	3,62	2,57	4,75	1,80	6,71	2,40
Germany	*	*	-4,81	1,87	-0,18	7,19	-0,20	2,92	-0,48

Italy	*	2,94	-5,49	2,89	0,39	3,87	5,64	6,49	2,01
Luxembourg	*	6,96	-8,02	11,27	-10,50	3,26	-1,53	-3,64	3,34
Netherlands	*	*	-4,00	0,18	6,31	2,48	3,97	1,35	2,40
Denmark	-	-	-13,21	-13,79	12,53	-2,27	10,42	6,66	4,51
Ireland	-	-	-3,74	-4,95	-8,35	11,81	13,63	7,05	8,38
U.K.	-	-	-1,92	-4,98	3,95	-2,62	2,97	3,49	5,33
Greece	-	-	-	-	-0,18	7,19	-0,20	2,92	-0,48
Portugal	-	-	-	-	-	7,06	6,14	3,64	1,26
Spain	-	-	-	-	-	6,06	7,18	5,39	4,25
Austria	-	-	-	-	-	-	-0,01	-1,99	4,32
Finland	-	-	-	-	-	-	1,54	-1,99	4,32
Sweden	-	-	-	-	-	-	6,16	6,92	7,37

Source; Compiled From World Bank Database
Numbers represent annual change rate compared to previous year
(-) represents non-member during the period
(*) represents data non-available in the source

When the investments are looked in table 8a, of member countries, negative values are seen during 1975s. Denmark with the rate of %13,79 has the highest rate during 1980 while Ireland and England have negative values. Luxembourg's top rate of 11,27% is significant in the same year. Yet it had the worse results in 1985 with the rate of -10,50%. In the following period starting from 1990 Ireland showed significant investment rates. New members, Austria and Finland demonstrate low levels of investment rates.

Table 8b:
Investment Rates for Euro Area (13), USA and Japan in Percentage (2000-2007).

Years	2000	2001	2002	2003	2004	2005	2006	2007
Euro Area	5,0	0,5	-1,5	1,1	2,3	2,6	4,9	4,4(f)
USA	6,1	-1,8	-3,5	3,2	6,1	6,4	3,1	-1,2(f)
Japan	1,2	-0,9	-4,9	-0,5	1,4	2,4	3,4	5,1(f)

Source; Compiled From Eurostat
Numbers represent annual change rate compared to previous year
(f) represents forecast

Public an private investments play a significant role on the Euro area's growth potential. Economic and monetary union provide great opportunities for investment increases in the Euro area. As a complementary instrument to single market programme, Euro strenghtens competiton and decrase exchange rate risks. The more financial markets integrate by single money the more foreign investments by companies should be expected. At the economic policy level, it should be said that monetary and structural reforms be faster, decrease interest rates with the reduction of public deficits and create a suitable environment for the investors.

As seen in table 8b, following the global economic slow down investments in the EU shrank. Except for the last quarter of 2002 and 2003 investments were recorded at low levels. Euro area and US economy have better results in 2000 while Japan is forecasted to have a %5 investment increase for the year 2007. US economy is forecasted to have a reverse investment rate of -1,2% for the year 2007.

Conclusion

Finally, European Union is a supranational organization established among European Countries to provide peace and prosperity in the region. Certainly it proved to be a successful partnership so far. In progress, it is hoped to form a “Federal Unity” for countries under its umbrella. Monetary and economic integration has little to do with economics and far more to do with politics and history. Centuries of war in Europe have led a generation of its leaders to see that only a federation of western Europe can make it impossible for such chaos and pain. The EMU is a huge step on the road to that federation.

Statistics put forward the response given to the integration by the member countries. The Union demonstrated high growth rates in the first years of integration. Due to world’s economic situation and serious incidents such as Iraq and increases of oil prices high growth rates could not be obtained during the following years. For the last three years unemployment remained at 7% levels.

Inflation rate and price stability targets of the Euro area which were the main objectives of the integration movement stated in Maastricht Agreement have always remained at the forecasted levels and they did not cause a serious problem with regard to the Union’s economic situation. Yet there had been price increases that caused inflation rates just above 2% for some years.

Macro economic statistics of the Union and EMU area demonstrate in general that the new formation have found a place in the world markets. Although, some significant objectives were realized, there is a stabile economic situation in the Union and it is seen that the results are promising.

Successful implementation of the EU Commission's plans towards integration will open a new dimension to the integration process for the future. Starting from the 1950s, this ongoing planned movement will certainly complete its mission with a Federal State in the near future.