

The Eu Integration And The Monetary Union: Why England Don't Join The Euro

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Abstract

EU which was established in 1957 with Rome Treaties and in 1992 with Maastricht Treaty made process from economic union towards political union, also has tried considering the harmony many issues such as agriculture, commerce. One of these issues is monetary union.

Within the Monetary Union that came into make its plans in 1969 and it was thought that could prevent the cycle and consider the common monetary policy. In this framework, in 1979, The European Monetary System was established and then in 1986 within the Single European Act, this process continued and in 1992 with Maastricht Treaty it became clearer.

Then in 1997, The European Monetary Institute was established and finally in 1999, EURO was accepted as monetary unit for EU members. Now, 17 members put the EURO account but England hasn't yet. There are many causes about this issues such as political, economics, social, national interests. for England. In addition, this issue or policy effected the other relationships of England.

Keywords: EU, England, The Monetary Union, EURO, National Interests.

1. INTRODUCTION

The idea of integration in Europe begins with Dante in the 13. Century, embodied by the Organization for European Coal and Steel established by the Treaty of Paris (ECSC) after World War II in 1951 and the European Economic Community (EEC) established by Treaties of Rome in 1957, the Union lived an important process of deepening and enlargement over time (Akçay, Akman and Argun, 2011).

The Union that also goes the political integration with the Maastricht Treaty signed in 1992 and took the name of European Union (EU), started common policy in many areas such as Common Foreign and Security Policy, Common Commercial Policy, Common Monetary Policy for providing integration by all means. The foundation of the Common Monetary Policy which appears as one of these policies was implemented in the 1960s; concrete steps have been taken in 1999 by the acceptance and implementation of the euro as the currency (Karluk and Tonus, 1998).

Economic crisis that has started in 2008 and influenced and many Community member countries such as Greece, Italy, influenced the world in general and the European Union in particular. Although many countries use the euro especially in a period when the future of the euro and the European Union is discussed, Britain's not use despite being a member of the Unity, is seen in the current situation provides an advantage to England.

Our study focuses on why Britain doesn't use the euro. In this sense, in our study, initially the Community's Common Monetary Policy's historical process will be addressed, then British perception of the Community and the Common Monetary Policy will be mentioned and finally the question of why Britain did not want to use the euro will try to be answered.

2. Common Monetary Policy's Historical Development Process

The basis of the Common Monetary Policy are taken to the period starts with La Haye Summit in December 1969 and report that was prepared under the chairmanship of post-period Luxembourg Prime Minister Pierre Werner and was named as "Werner Report". By the report that was completed in October 1970, Common Monetary Policy which is planned up to 10 years in three-stage is intended. The main objective of the Common Monetary Policy has been the liberalization of capital movements, fixing exchange rates and the creation of the single currency (Karluk and Tonus 1998).

While the Common Monetary Policy is being designed in this way, the collapse of the Bretton Woods system in August 1971 and U.S.A.'s let to dollar fluctuate have created instability and made it difficult to make planned things. In this sense, monetary integration had been arrested. Thereupon, in March 1972, member states proposed the concept monetary snake "(Snake in the tunnel) (Gavin, 2002; Möckli, 2009). Accordingly, this system is the fluctuation of national coins against U.S. dollars, in a narrow margin (the tunnel). (snake) However, the oil crisis was lived during this period and the weaknesses of the dollar have completed this process, and a Mark region consists Germany, Benelux countries, Denmark was created (Karluk and Tone, 1998).

Then, monetary integration was replicated with the support of France and Germany in 1979 and as a concrete step European Monetary System was established (Tunçsiper and Ruby, 1998). This system is based on fixed but adjustable exchange rates. All member states except Britain, has been included in this system. However, this system that is applied about 10 years did not create much change.

A committee chaired by J. Delors who is the president of the European Commission was established at the European Summit in 1988 in Hanover, for economic and monetary integration and a report was presented in April 1989. According to this report, establishing an institution that is responsible for economics, political coordination, national budget deficits and monetary policy was suggested.

In the light of this report and proposal, starting the first phase of the Economic and Monetary Union was decided at the Madrid Summit in June 1989 and even the United Kingdom is against, fully liberalization of capital movement in eight member states until 1 July 1990 was intended (Karluk and Tonus, 1998).

However, with the Maastricht or European Union Treaty that was signed after the Maastricht Summit in 1992 Community came into a political integration process and completion of Common Monetary Policy process within a calendar was decided.

In addition, in 10 January 1994, member states have agreed to the concrete but non-binding rules about the approximation of the economic policies. In parallel with these steps, European Monetary Institute was established for the coordination of monetary policy. After that, related to the single monetary policy, the national central banks have been left to the European System of Central Banks created by the European Central Bank and this structure has taken the place of the European Monetary Institute.

Volatility in the U.S. dollar in 1995 has show that a single monetary policy is needed in the European Union and required, the decision of pass of the member states before 1 January 1999 to a single monetary policy that has been called "Euro", is held at the Madrid Summit carried out at 15-16 December 1995 and the Amsterdam Summit in 1997. The design of euro banknotes that was accepted in 1999 passed in 2002 and while initially 12 member countries were participated in Euro, this number today has became 17. (Erçel, <http://www.tcmb.gov.tr/yeni/banka/emu/SORULAR5.html>, 2012).

3. View of England to the EU and the Common Monetary Policy

England, throughout history, didn't look at to an integration that will be lived in Europe too hot. Because both it doesn't consider such an integration could be achieved and doesn't want the presence of another power in continental Europe except it.

Historically, Commonwealth countries are important for both commercial and foreign policy in England. Commonwealth countries, has a share of 43% in British trade (Gavin, 2002). But the main point in here is that England makes cheap agricultural policy with the Commonwealth countries. In this sense, when look at to Europe, the Common Agricultural Policy, is a policy that is under the influence of France, and more expensive than Britain's Commonwealth policy. Because of expensiveness of Europe Common Agricultural Policy and scarcity of agricultural land in England, and therefore the fact that England will receive less money from Europe, than it pays, Britain was not hot to the issue, it has created hesitation. Because this policy will create a deficit on the balance of payments in England (Young, 2000).

However, deteriorating relations with Commonwealth countries of England in time led it to the EEC. In fact, although United Kingdom wasn't hot for EEC membership, it wanted to make a Free Trade Agreement with the EEC and thus close the trade deficit by continuing relations with the countries of the Commonwealth. However, the integration of Britain with EEC delayed due to political events such as both the common agricultural policy, both the pound and the Fouchet Plan area, Nassau Agreement with the EEC (Young, 2000).

While England was trying to establish a relationship with the EEC, on the other hand, it tried to continue its relationship with countries of the Commonwealth. One of the important reasons of this is for this is Sterling Area. England uses Sterling in trade with Commonwealth countries and also uses excess of the sterling appears in the Commonwealth countries as a

result of being deposited to London banks, in the banking system and tries to eliminate trade deficit (Young, 2000).

As addition to this, when it is looked to international conjuncture at the inter-war period, economic disturbances, and crises carried the world to the World War II, and the world is connected to dollars by Bretton Woods system that was made after war. With this system, members of the IMF were attached to a certain extent to the dollar and it was called the fixed exchange rate. With this system, states were connected their money to dollar, their dollars to the gold. Now, countries have excess of dollar at the end of trade started to take back this excess (Gavin, 2002).

In this environment, even though Great Britain caught up advantage with the Pound Sterling Area, this situation began to deteriorate in 1949. Commonwealth countries wanted to convert their money in dollars but because of the absence of enough dollars in the hands of England, it was forced to devalue. In fact, Britain didn't want to devalue, and resisted until the last point. In this sense, it banned the exits to abroad for tourism, made restriction of the sterling, restricted military expenditures, even began to withdraw from east of Suez. Because devaluation will be a significant loss of prestige for a strong state such as Britain. However, when the situation deteriorated, it had to go to the devaluation. By the devaluation, moneys value was devalued against other currencies, the price of manufactured goods was reduced over other currencies and exports have been encouraged (Parr, 2006). In this case although trade deficit is reduced and it also increases the value of reserves, Commonwealth countries that have more Sterling in their hands suffered a loss and England that is a major financial and banking center has experienced the loss of prestige. In addition, although it tries to reduce its burden of military spending by making offset agreements with Germany, it couldn't be successful, and in 1967 it was forced to make one more devaluation (Zimmermann, 2000). Britain's EEC approach was been as result of this situation but was rejected by De Gaulle because of the political and economic reasons

At the same time, the dollar was connected to gold by the Bretton Woods system and gold was demanded with the dollar surplus but because of the absence of gold reserves in the U.S. that will do so, United States began to fall into difficulty. When U.S.A. considered that it couldn't protect the gold, it also directed to Germany like Britain and has worked to alleviate its burden by Offset Agreements. However, the devaluation in England in 1967 put also the United States into trouble. Because sterling is now transformed into dollar. Thereupon, when De Gaulle wanted to exchange gold in its hand to gold for political reasons, the United States lived a little more trouble and provided not to be gold demanded by applying pressure (Gavin, 2002; Hoffmann, 1964). In the meantime, Britain turned its famous banking infrastructure into a structure that based on dollars and has become the world's second largest market in dollar reserves. In other words, Britain now tied up its everything in dollars and became dependent on dollars by transforming into a structure that is finance dominated than industry

4. Instead of conclusion: Britain and the Euro

Britain, whose EU membership was rejected by the French leader De Gaulle because of political and economic reasons between 1963 and 1967, became a member of the community after the death of De Gaulle in 1973. Since this date, although it is a member of the Community, it approached cautiously because of particularly the Community's Common Agricultural Policy (even it participates) and Common Monetary Policy. Because, also called two policies may cause ill effects at England's trade policy and the banking system such as trade deficit, deterioration in the balance of payments

Although, England who connected itself to the U.S. dollar in terms of financial and banking system and convert its system from Sterling into dollars as the world's second largest dollar reserves, being a member of the community, it didn't obey the Community's common monetary policy especially, refused to use the euro came into force in 1999.

Britain's entry into the agricultural policy would harm Commonwealth countries, which have an important place with Britain, both politically and commercially. Britain that has already been damaged by the Community's agricultural policy, is working to resolve this situation by regional development policies (Eraktan, 2006).

If we look at in terms of the Common Monetary Policy, Britain's which is so dependent to U.S. Dollar; inclusion to Euro will cause its damage in terms of economic, political and prestige. In the environment that the EUROZONE whose basis was constructed by The Hague Summit in 1969 and Werner Report, became a threat to the EU's future by recently living a difficult test because of the crisis, it is a fact that it provided a significant advantage to England.