SECTION 3
MODERN TENDENCIES IN DEVELOPMENT OF INTERNATIONAL ECONOMY

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CURRENCY WAR

Currency war, also known as competitive devaluation, is a condition in international affairs where countries compete against each other to achieve a relatively low exchange rate for their own currency. As the price to buy a country's currency falls so too does the price of exports. Imports to the country become more expensive. So domestic industry, and thus employment, receives a boost in demand from both domestic and foreign markets. However, the price increase for imports can harm citizens' purchasing power. The policy can also trigger retaliatory action by other countries which in turn can lead to a general decline in international trade, harming all countries.

Competitive devaluation has been rare through most of history as countries have generally preferred to maintain a high value for their currency. Countries have generally allowed market forces to work, or have participated in systems of managed exchanges rates. An exception occurred when currency war broke out in the 1930s. As countries abandoned the Gold Standard during the Great Depression, they used currency devaluations to stimulate their economies. Since this effectively pushes unemployment overseas, trading partners quickly retaliated with their own devaluations. The period is considered to have been an adverse situation for all concerned, as unpredictable changes in exchange rates reduced overall international trade.

According to Guido Mantega, the Brazilian Minister for Finance, a global currency war broke out in 2010. This view was echoed by numerous other government official sand financial journalists from around the world. Other senior policy makers and journalists suggested the phrase "currency war" overstated the extent of hostility. With a few exceptions such as Mantega, even commentators who agreed there had been a currency war in 2010, generally concluded that it had fizzled out by mid-2011.

States engaging in possible competitive devaluation since 2010 have used a mix of policy tools, including direct government intervention, the imposition of capital controls, and, indirectly, quantitative easing. While many countries experienced undesirable upward pressure on their exchange rates and took part in the ongoing arguments, the most notable dimension of the 2010–2011episode was the rhetorical conflict between the United States and China over the valuation of the yuan. In January

2013, measures announced by Japan which were expected to devalue its currency sparked concern of a possible second 21st century currency war breaking out, this time with the principal source of tension being not China versus the US, but Japan versus the Eurozone. By late February, concerns of a new outbreak of currency war had been mostly allayed, after the G7 and G20 issued statements committing to avoid competitive devaluation.

After the European Central Bank launched a fresh programme of quantitative easing in January 2015, there was once again an intensification of discussion about currency war.

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INTEGRATION PROCESSES IN THE WORLD ECONOMY

In the context of globalization, the increasing interdependence of national economies and the development of integration processes are the most important features of modernity. International integration is proceeding rapidly as the result of the increased flow of trade, capital, money, direct investment, technology, people, information, and ideas across national boundaries. Integration emerges on the basis of internationalization as its highest form. In the words of American scholar, Patrick M. Morgan, 'There is no generally accepted definition of integration. Some consider integration to be a condition, but it is equally plausible to think of it as a process.' For diversity, let us look at some other definitions, like this one given by Robert Grosse and Duane Kujawa: 'Regional integration is expansion of commercial and financial ties among countries in a regional group, leaving the rest of the world outside of the group.' From a systematic perspective, economic integration is reached in the process of joining different national economies together in a single economic complex having a specific institutional structure and functioning on the basis of coordinated economic policy.

As one of the main trends in contemporary international processes, regional co-operation offers great opportunities for countries to become involved in these processes, identifying their specific place in the international system and adapting to the dynamic changes which are taking place. The question is how it can influence on the world economy. The truth about economic integration particularly in the context of the 21st century is that, economies that will resist the global drive towards international economic integration will find themselves out of pace with the rest of the world in terms of growth and development. On the other hand, the collective understanding of the advantages and opportunities which the regional integration provides will lead to intensified and more divergent forms of co-operation which will be both deeper and

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