







One lesson researchers, academia and policy-makers should learn is that loss of competitiveness always caused current account deficits and brought about a reduction in economic growth, which deteriorated public finance. On one side, those countries that are in line with world competition such as Finland, Germany, Luxembourg and Netherlands have current account surpluses, relatively very high net international investment positions, stable labor costs, manageable public debt and relatively positive trends in reducing unemployment.

On the other side, countries as present well-known as PIIGS that lost their competitiveness have current account deficits, negative net international investment positions, loss of market share, very high public debt and growing unemployment.

The global financial crisis and recession caused the debt crisis in European Union, but especially in some eurozone countries. Growing public debt in the euro area called for additional financing. Most debtor countries in the EMU lost access to the international capital markets.

High spreads for sovereign bonds and inability to get money on domestic and international capital markets raised a question of how to finance the public debt. The European sovereign debt crisis has not yet been fully resolved. Therefore, in this regard, in the euro area several crucial steps have been taken.

When EMU was created, the positive trends still appeared in some major macroeconomic indicators. However, one of the critical issues was loss of competitiveness that caused the external deficit

which further was significantly correlated with public finance in some eurozone countries. Countries' loss of competitiveness brought about lower economic growth and the decline in revenue of the general government budget. Official data analysis offers the clear conclusion that a majority of countries joining the EMU permanently broke down the basic rules in Stability and Growth Pact.

In addition, a majority of countries lost competitiveness and have reached deficits on current accounts, including lowering the net investment position. Excessive imbalances within the eurozone countries significantly contributed to the present fiscal unsustainability.

## 5. References

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