EESC HEARING
TOWARDS A STRONGER INTERNATIONAL ROLE OF THE EURO

Christian Ebeke
IMF Deputy Representative to the EU
1. A long a long way to go

2. How are euro invoicing decisions made?

3. Deepening the EMU to change the narrative on the euro once for all
Like it or not, the euro is doomed

By Hibiha Yousuf @CNNMoneyInvest December 9, 2011: 11:40 AM ET

European debt crisis

Welcome back to the eurozone crisis
The political process slows when the central bank tries to help out

WOLFGANG MÜNCHAU

September 30, 2012

Wolfgang Münchau

The Conscience of a Liberal

Paul Krugman

I'm giving a talk in Paris tomorrow. Here are some slides; they won't come as a shock to regular readers, but it may be useful to see them all in one place.

First, I make the case that the overall economic crisis is driven by private debt, not public debt:
Inflation convergence but a lot of real divergence

Convergence and divergence in the euro area 12
(Standard deviations)

Sources: Eurostat.
Euro area trade invoiced in euro has diminished

Euro area: Change in invoicing of extra EU manufactured goods exports
(Currency shares, percentage points, 2010-2016)

Euro area: Change in euro invoicing of extra EU manufactured goods exports
(Percentage points; 2010-2016)
1. A long way to go

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Euro Invoicing is shaped by supply chain networks (mostly micro decisions)

**Euro Supply Chains and Euro Invoicing, 2010-2015 average**
(In percent)

Share of the euro in extra-EU trade vs. Euro area value added embodied in total non-EU exports

Sources: OECD TiVA; Eurostat
Euro's role in trade and finance are naturally connected (mostly micro decisions)

Euro Corporate Debt and Euro Invoicing, 2010-2015 average
(In percent)

Sources: BIS; Eurostat
1. A long way to go...

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Shock absorption

Need to improve risk sharing to counter shocks

**Gross Public Debt**
(Percent of GDP)

<table>
<thead>
<tr>
<th>Country</th>
<th>2007</th>
<th>2015</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRC</td>
<td>180</td>
<td>150</td>
<td>120</td>
</tr>
<tr>
<td>ITA</td>
<td>120</td>
<td>90</td>
<td>60</td>
</tr>
<tr>
<td>PRT</td>
<td>90</td>
<td>60</td>
<td>30</td>
</tr>
<tr>
<td>CYP</td>
<td>60</td>
<td>30</td>
<td>0</td>
</tr>
<tr>
<td>BEL</td>
<td>30</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>ESP</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FRA</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: IMF, World Economic Outlook.

**Cross-border smoothing of asymmetric shocks**
(Share of shocks smoothed by channel)

- Unsmoothed
- Credit markets
- Fiscal
- Factor income

<table>
<thead>
<tr>
<th>Region</th>
<th>Unsmoothed</th>
<th>Credit markets</th>
<th>Fiscal</th>
<th>Factor income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro area 9</td>
<td>100</td>
<td>40</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>US</td>
<td>0</td>
<td>20</td>
<td>10</td>
<td>70</td>
</tr>
</tbody>
</table>

Two birds with one stone: CMU for shock absorption and long-term growth

Market capitalisation and development in 2015
(Advanced economies)

Policies that promote growth, stability and integration key for the international role of the euro

<table>
<thead>
<tr>
<th>Structural reforms</th>
<th>Robust and integrated financial sector</th>
<th>Sound fiscal policies and shock insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>➔ Deepen the single market (especially the service sector)</td>
<td>➔ Complete Banking Union (Operationalize the SRF backstop; EDIS)</td>
<td>➔ Simplified, enforceable EU fiscal rules</td>
</tr>
<tr>
<td>➔ Country-specific structural reforms to enhance resilience and boost productivity growth</td>
<td>➔ Build a European Capital Markets Union</td>
<td>➔ Support macroeconomic stabilization through a <strong>Central Fiscal Capacity</strong></td>
</tr>
<tr>
<td>➔ Repair balance sheets (reduce NPLs)</td>
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<td>➔ National fiscal policies towards imbalances reduction</td>
</tr>
</tbody>
</table>
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