

# Comments on “The Euro after 10 years”

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# Main comments

- Excellent overview about the Euro after 10 years!
- Overview covers almost all of relevant issues the Euro has had.
- Important lessons for Asia to create regional stability and to generate sustained growth in the region.

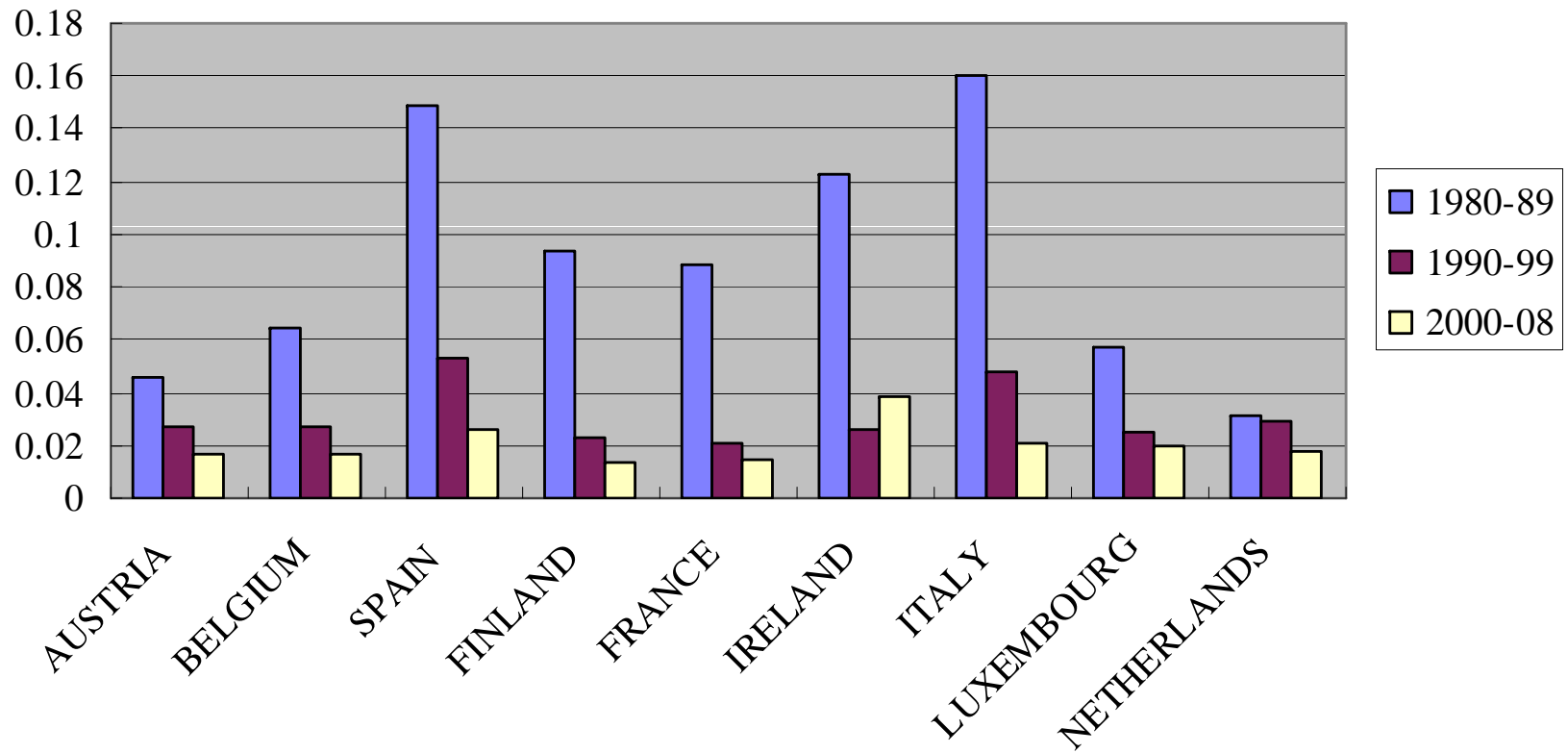
# Issues I will discuss

- Price stabilities
- Increased international trade
- Reduced foreign exchange reserve accumulation
- Government liabilities

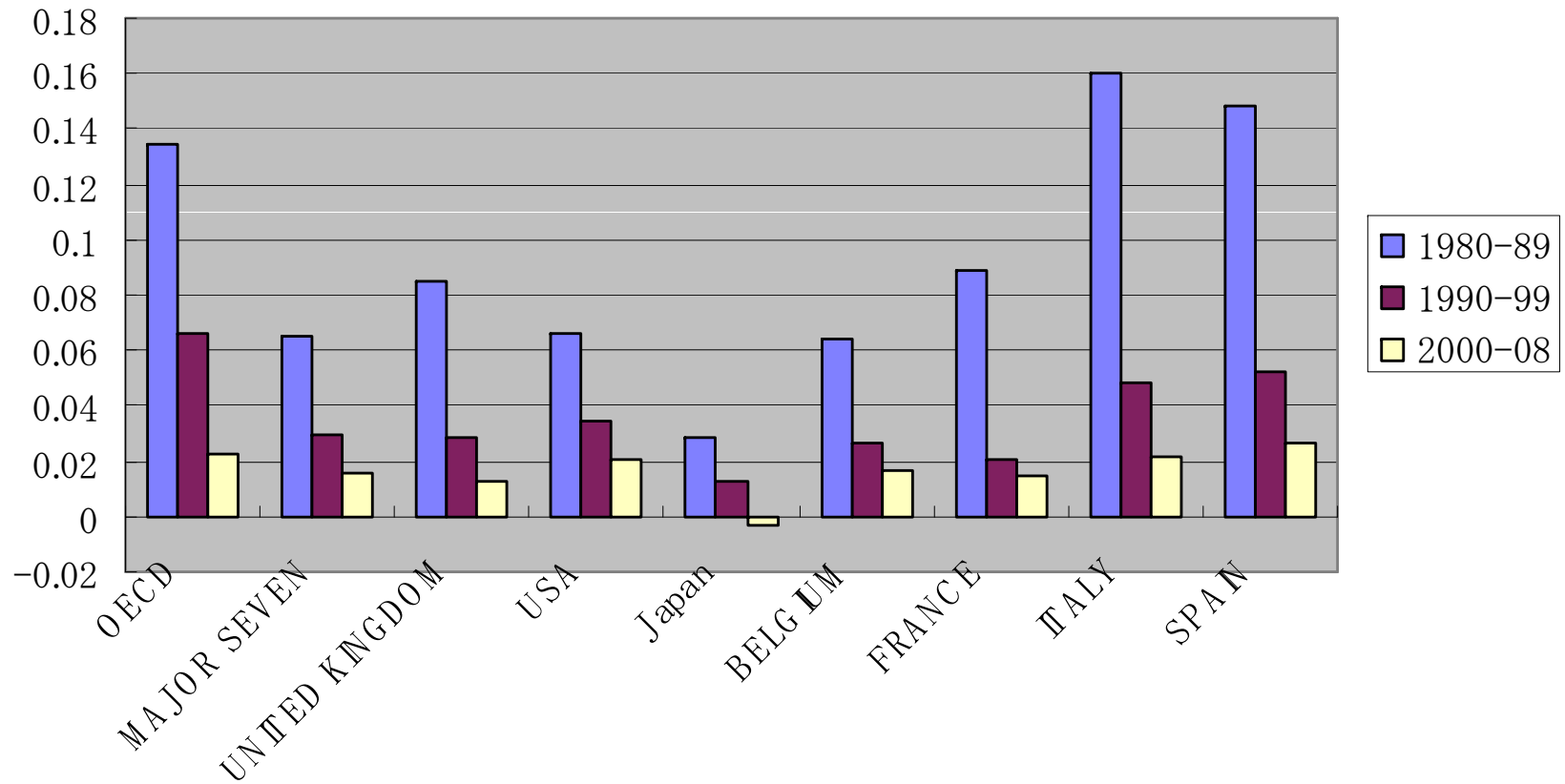
# Price stabilities

- Euro members achieved price stabilities during the past three decades.
- This was particularly true in countries such as Italy and Spain.
- But we can also price stabilities in the other industrial countries.
- Not only time-series comparison but also cross sectional comparison are desirable.

Changes of core CPI inflation rates:  
Case of Euro members

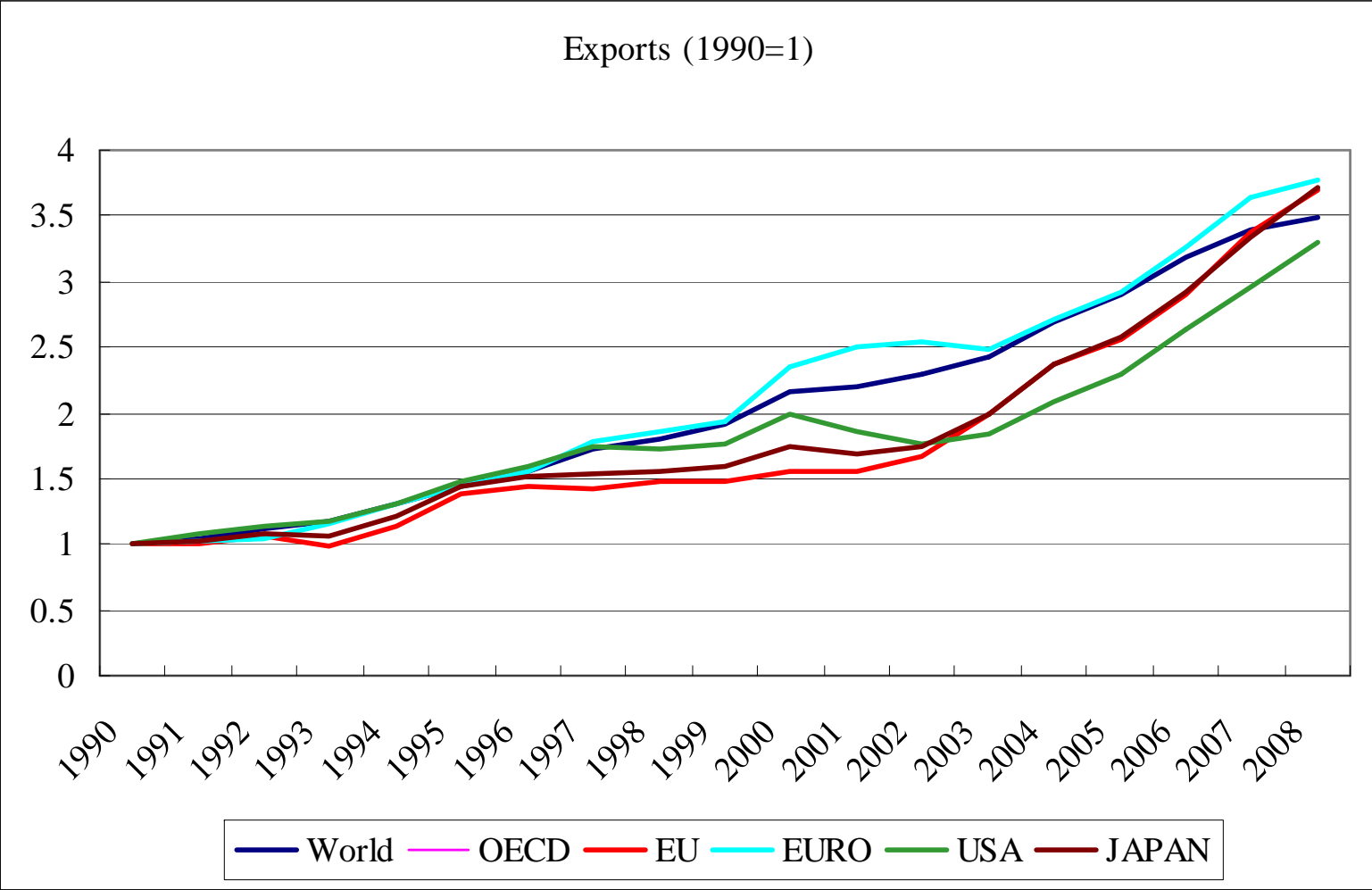


Changes of core CPI inflation rates:  
Case of Industrial countries

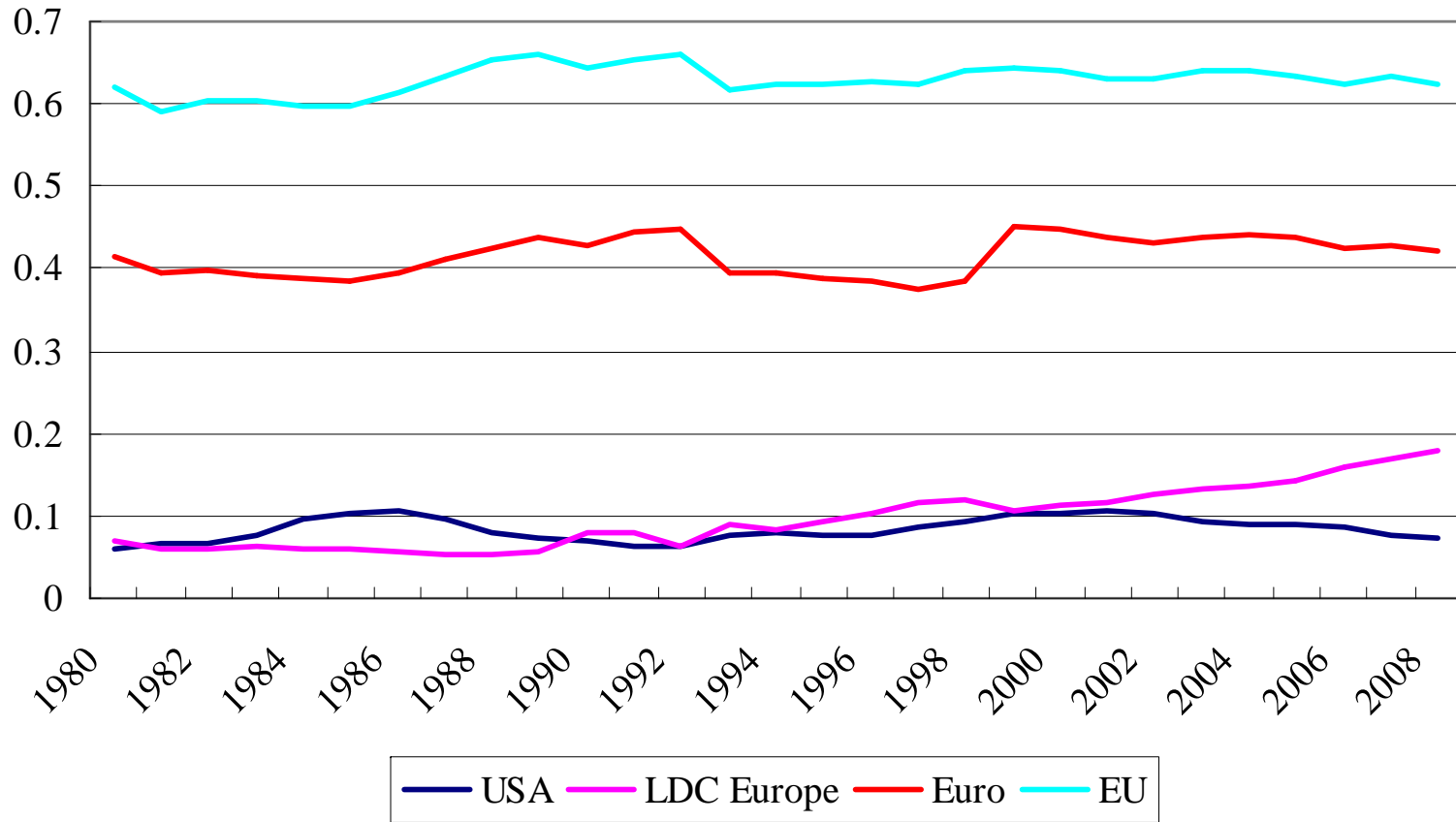


# Increased International Trade

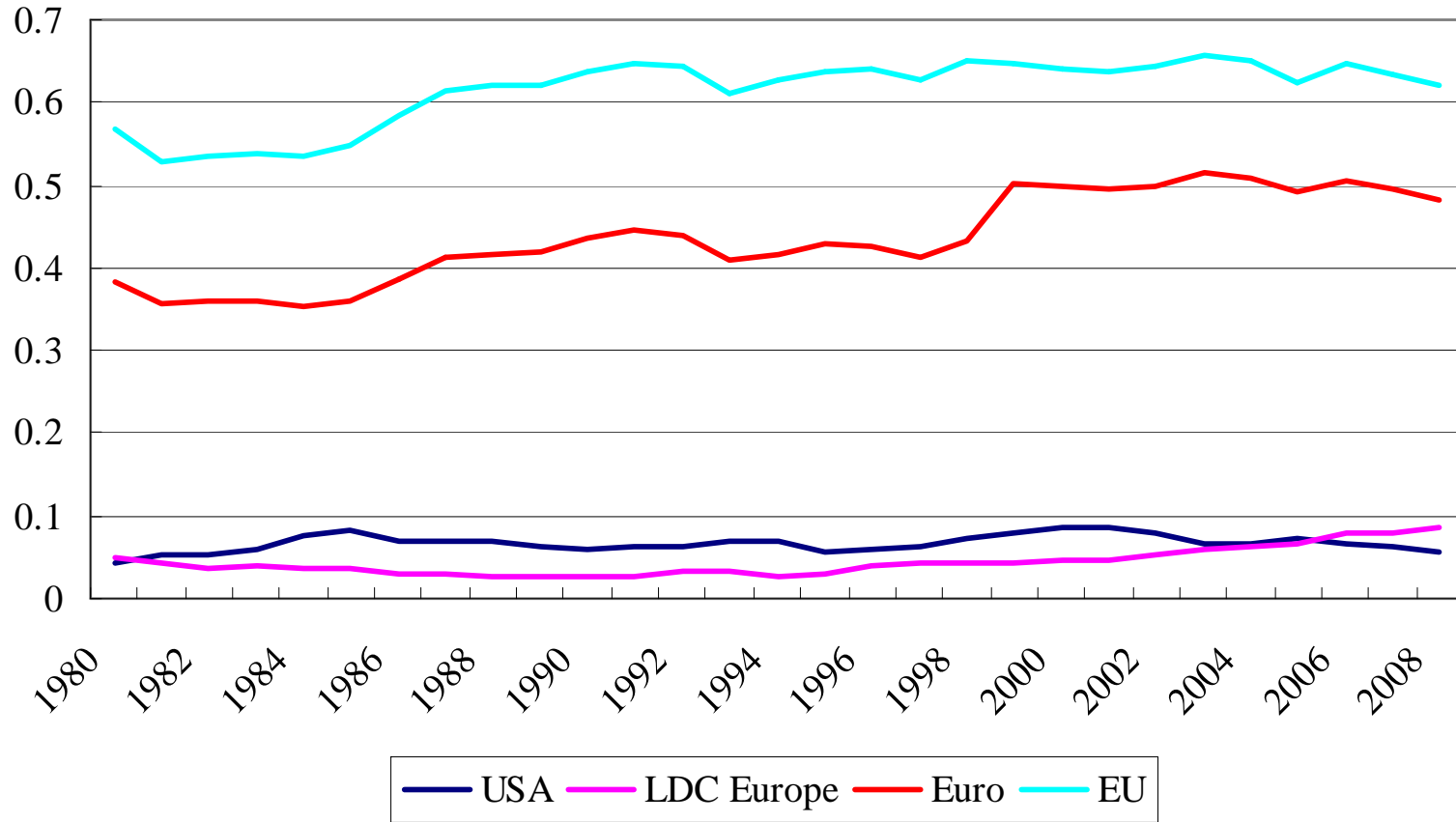
- We can observe world-wide increases in international trade.
- But we can observe larger increases of exports in Euro members.
- In Germany, substantial increases in the exports to less developed European countries.
- But in their Euro members, substantial increases in the exports to the other Euro members.



Shares of Germany export destinations

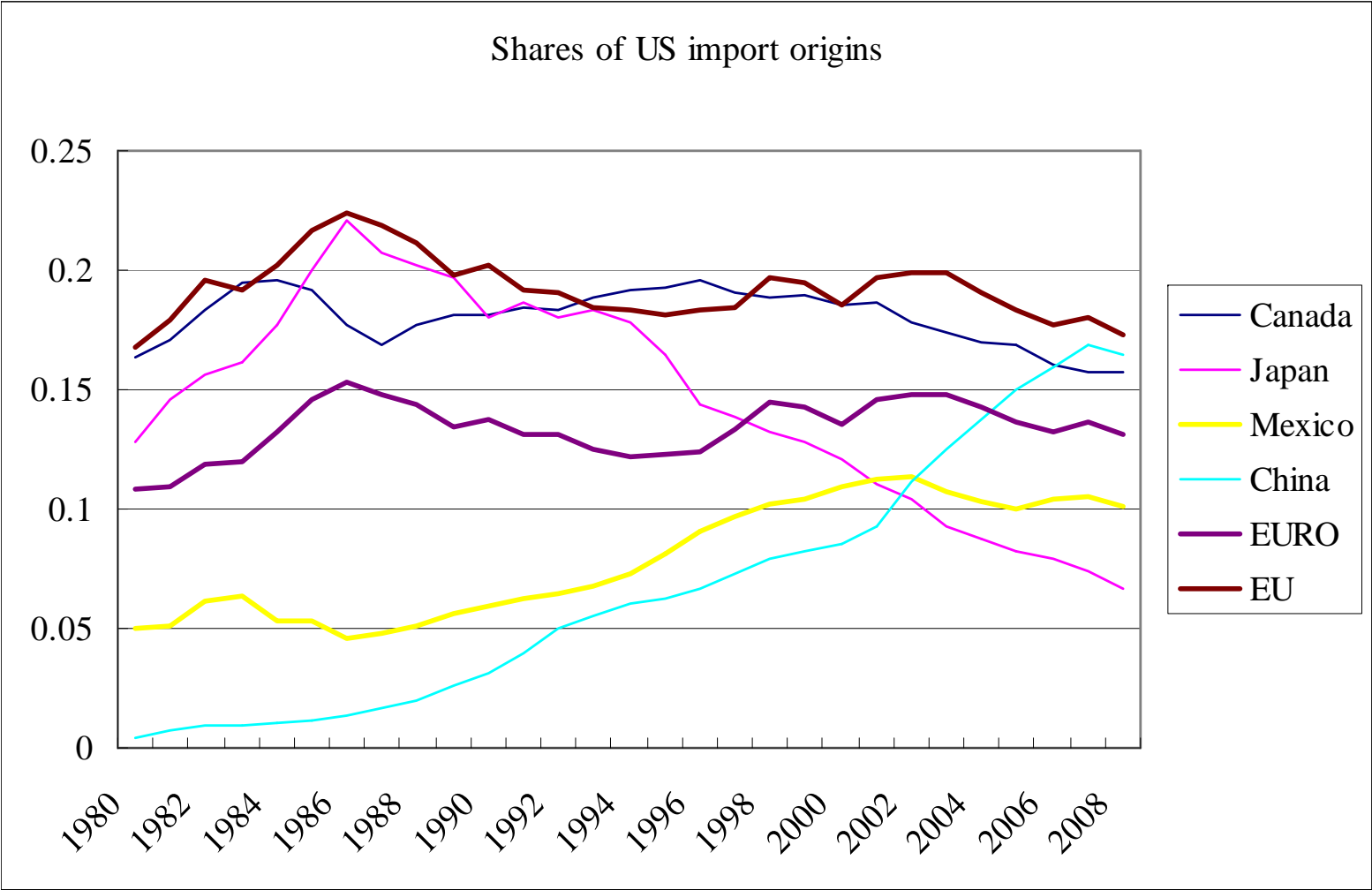


Shares of French export destinations

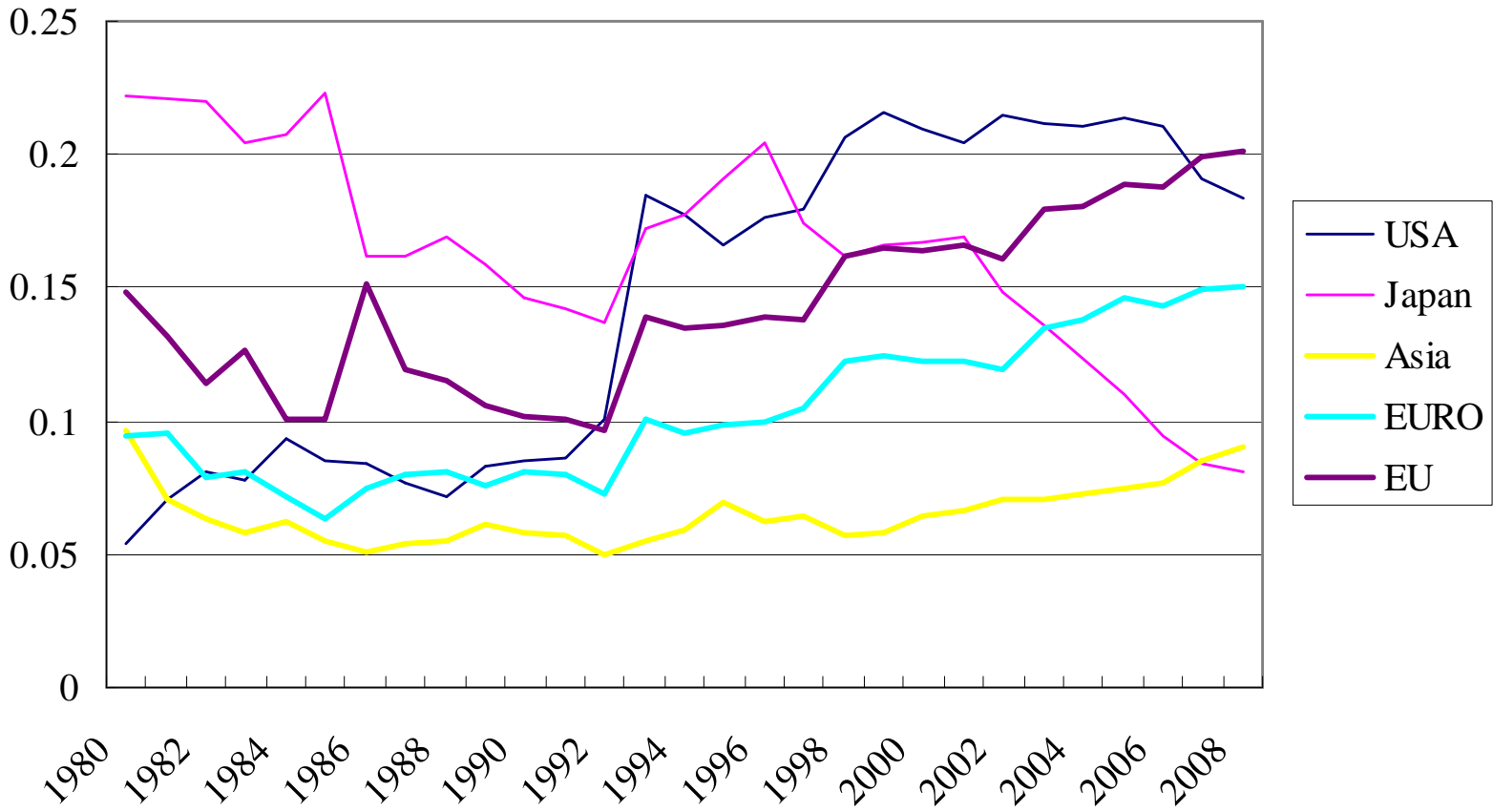


# Increased International Trade

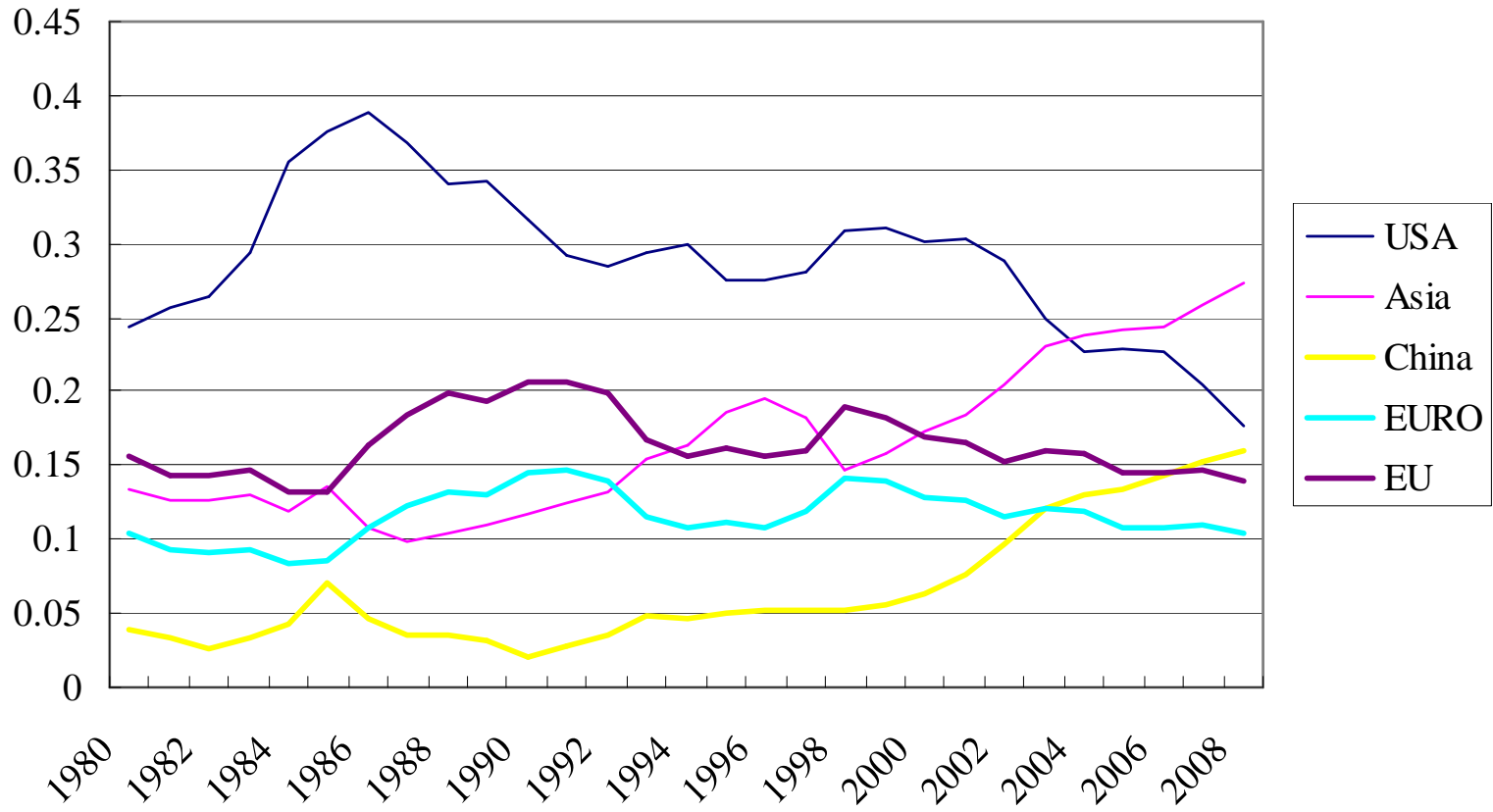
- The US imports from Euro increased in the 2000s.
- For China, Euro members are now one of the most important export destinations.
- The Euro members' share in China's exports increased substantially in the 2000s.
- The other Asian countries may rely on the Euro members through China.



Shares of China's export destinations



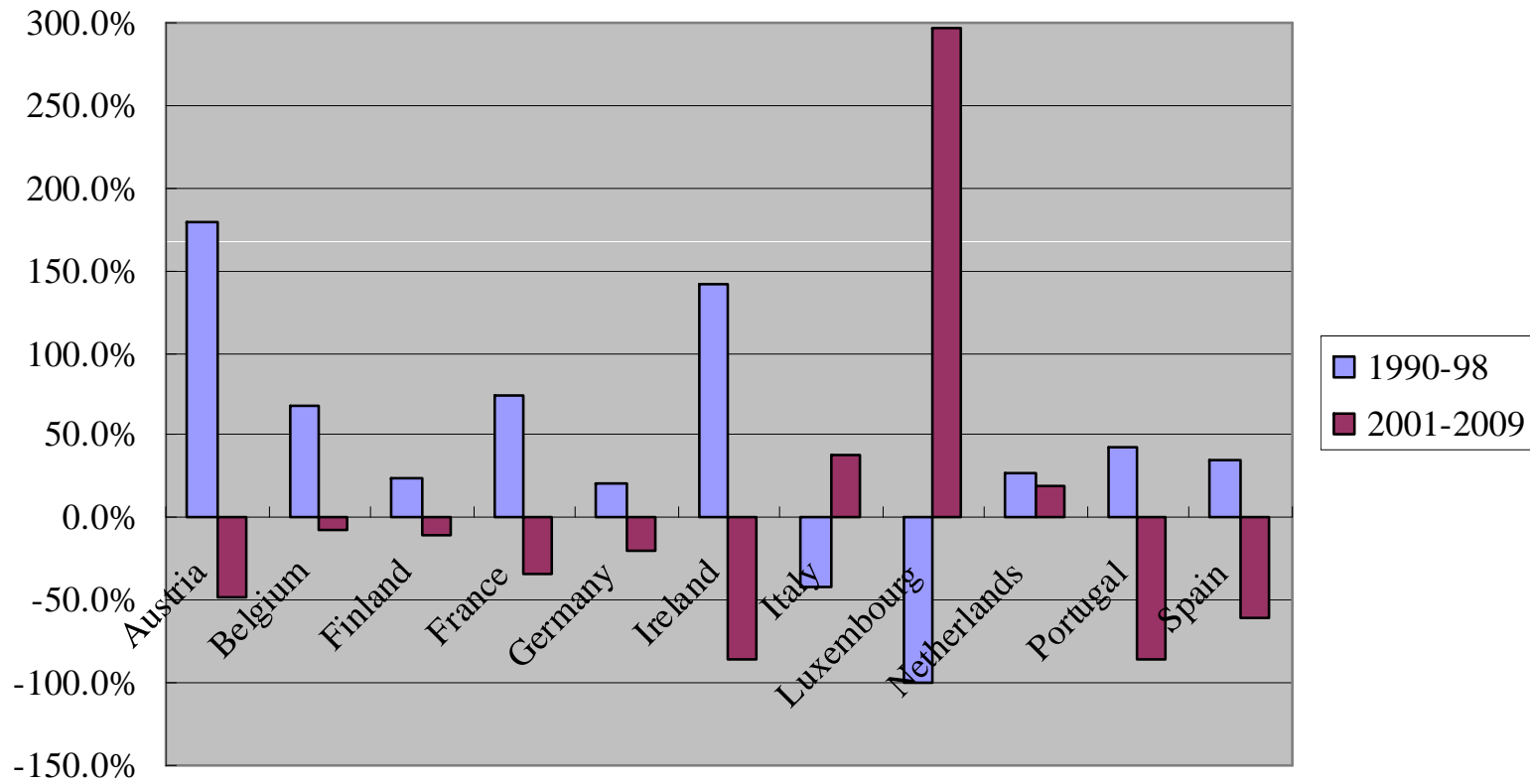
Shares of Japan's export destinations



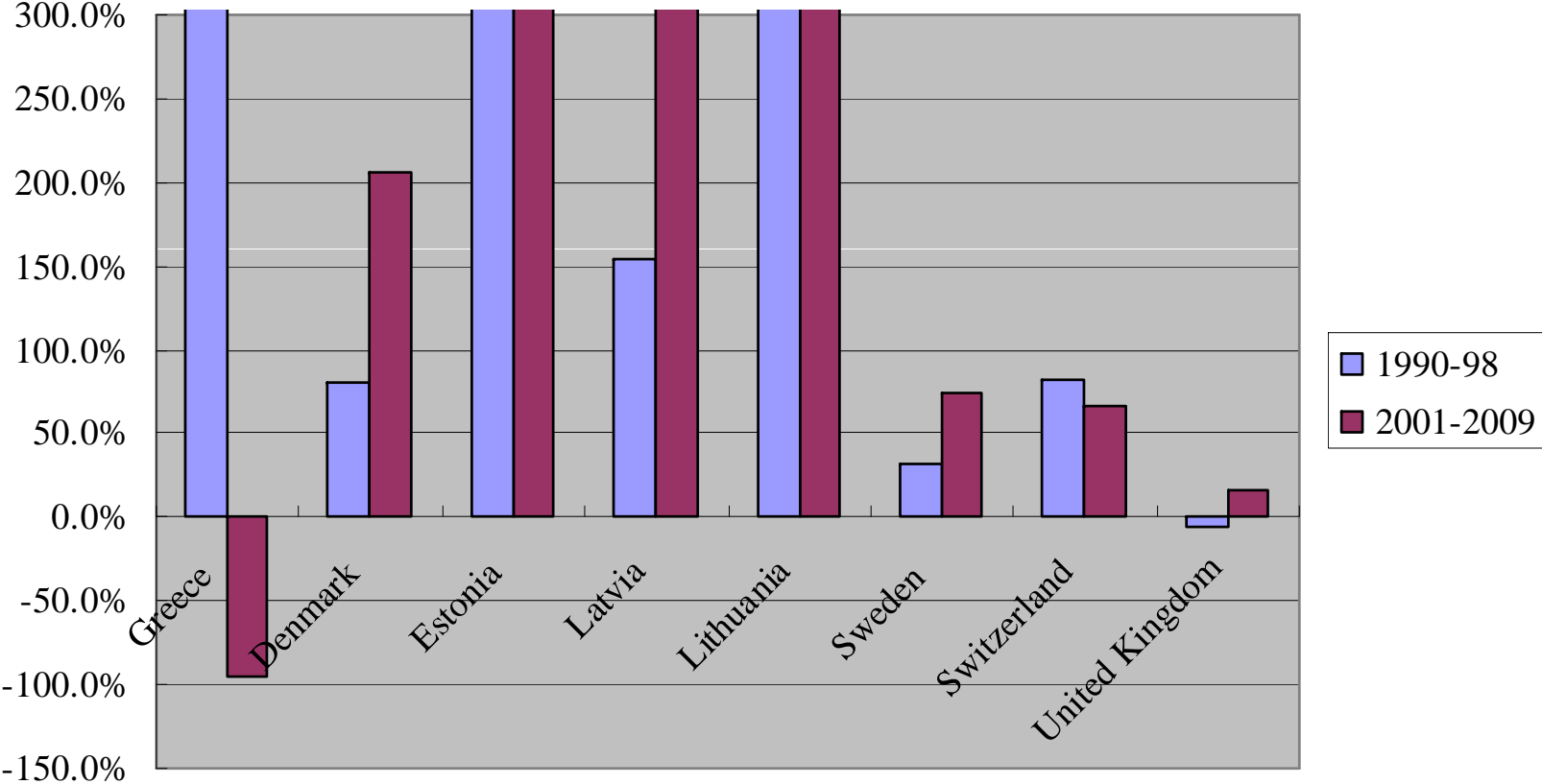
# Reduced Foreign Exchange Reserve Accumulation

- The Euro members had increased foreign exchange reserve accumulation before introducing the Euro.
- But they reduced it after introducing the Euro.
- This is in marked contrast with the other EU members including ERM II countries.
- Important lessons for East Asia!

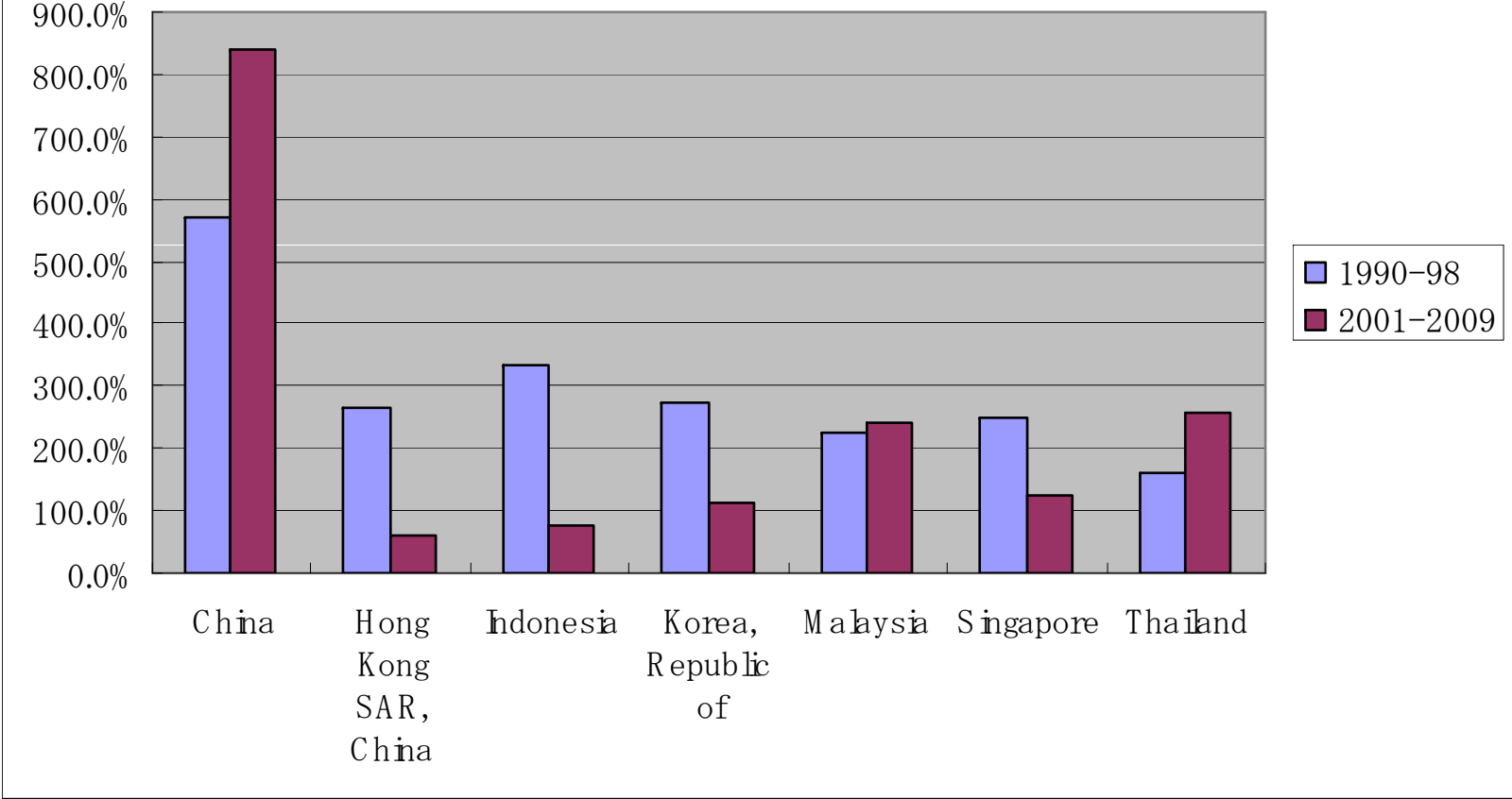
Changes of FX Reserve in Euro Members



Changes of FX Reserve in the Other EU Members



Changes of FX Reserve in East Asia



# Some problems

- Current account imbalances
- Increased government liabilities
- Government liability was increasing in several Euro members even before the crisis
- The issues are becoming more serious after the crisis.

## Gov't Liability in 2007 (1990 - 1)

