



10 years Euro!

What are the prospects for this
“young” international currency?

Presentation Lions Club Curacao

Thursday, May 28th, 2009.

Drs.A.G.Romero.

**BIOGRAFIE
VAN
EEN
JONGE
WERELD
MUNT
10 JAAR**

Edin Mujagić

EURO

OVERLEEF DE EURO DE CRISIS? OVER



FEM
BUSINESS & FINANCE

Willem Middelkoop Als de dollar valt



Alles over de
kredietcrisis

NWADAM

Uitgebreide en
herziene editie

Criteria of the Maastricht treaty (1992) for countries joining the European Monetary Union.

- 1.Inflation: max. 1.5% from the average of the 3 EU countries with the lowest inflation;
- 2.Long term interest: max. 2% higher than the average interest of the 3 EU countries with the lowest inflation
- 3.Budget deficit: max. 3% of GDP
- 4.Public debt: max. 60% of GDP
- 5. Exchange rate of “candidate” country ; must fluctuate 2 years prior to joining the monetary union up to a max. 15% against the Euro.
- 6.Central Bank: independence is mandatory in the EU laws

Euro area versus USA:

- Euro area

- Inhabitants 318.5 million
- GDP (in billions) 8.900 euro
- GDP/capita 27.900 euro
- GDP share in world GDP 14.7%

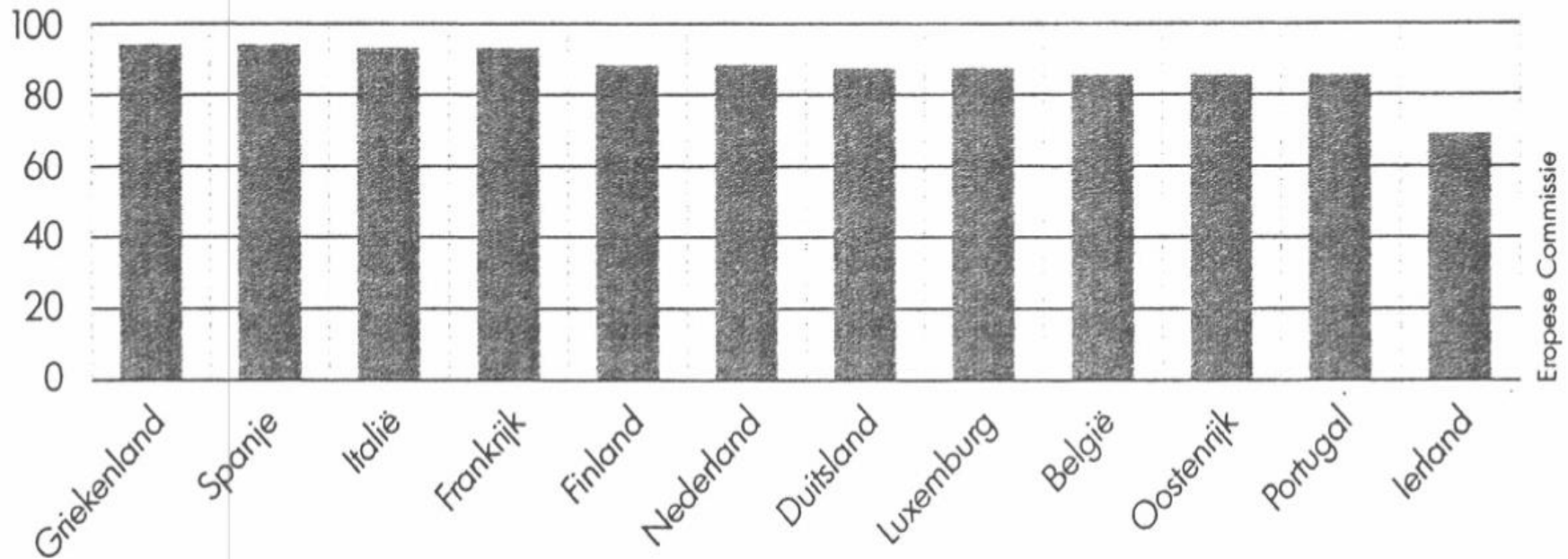
- USA

- Inhabitants 300 million
- GDP (in billions) 10.100 euro
- GDP/capita 33.700 euro
- GDP share in world GDP 21.4%

Feeling of the Europeans about the Euro in 2006? *“Teuro”*

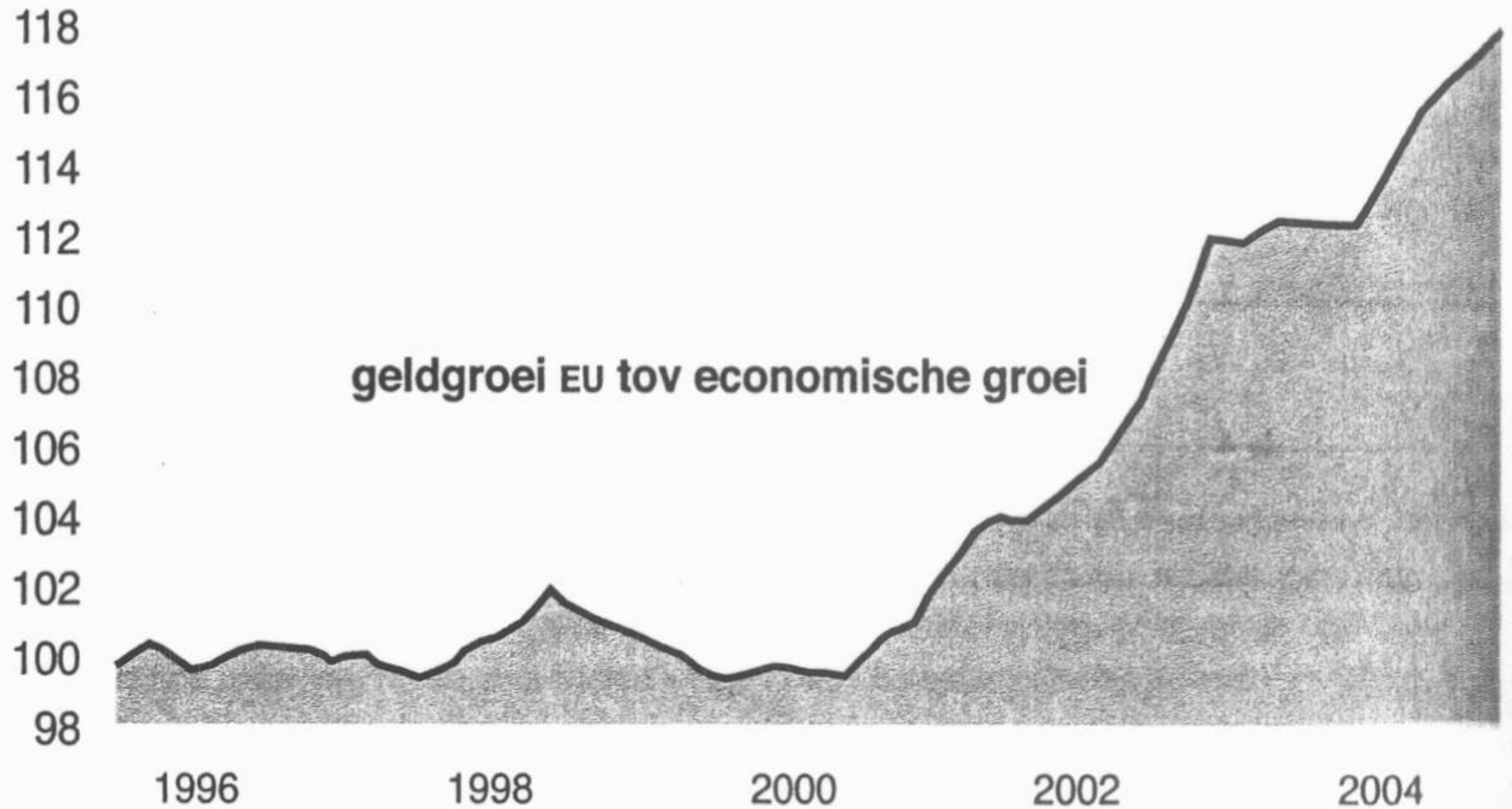
EURO IS DUUR IN ALLE EUROPESE TALEN

Enquête 2006, euro zorgt voor hogere prijzen, in %



Eropese Commissie

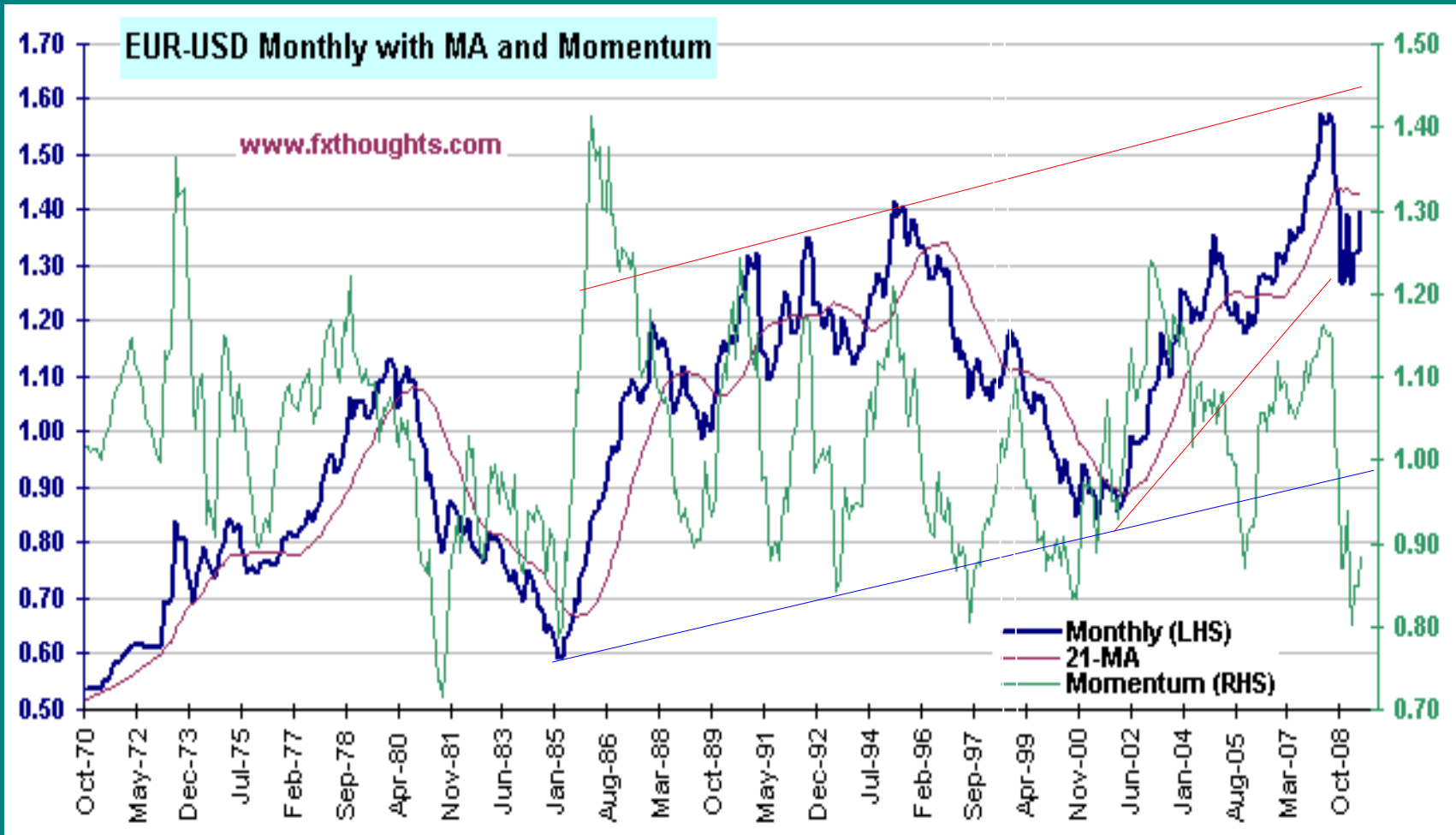
Index of money growth to GDP growth



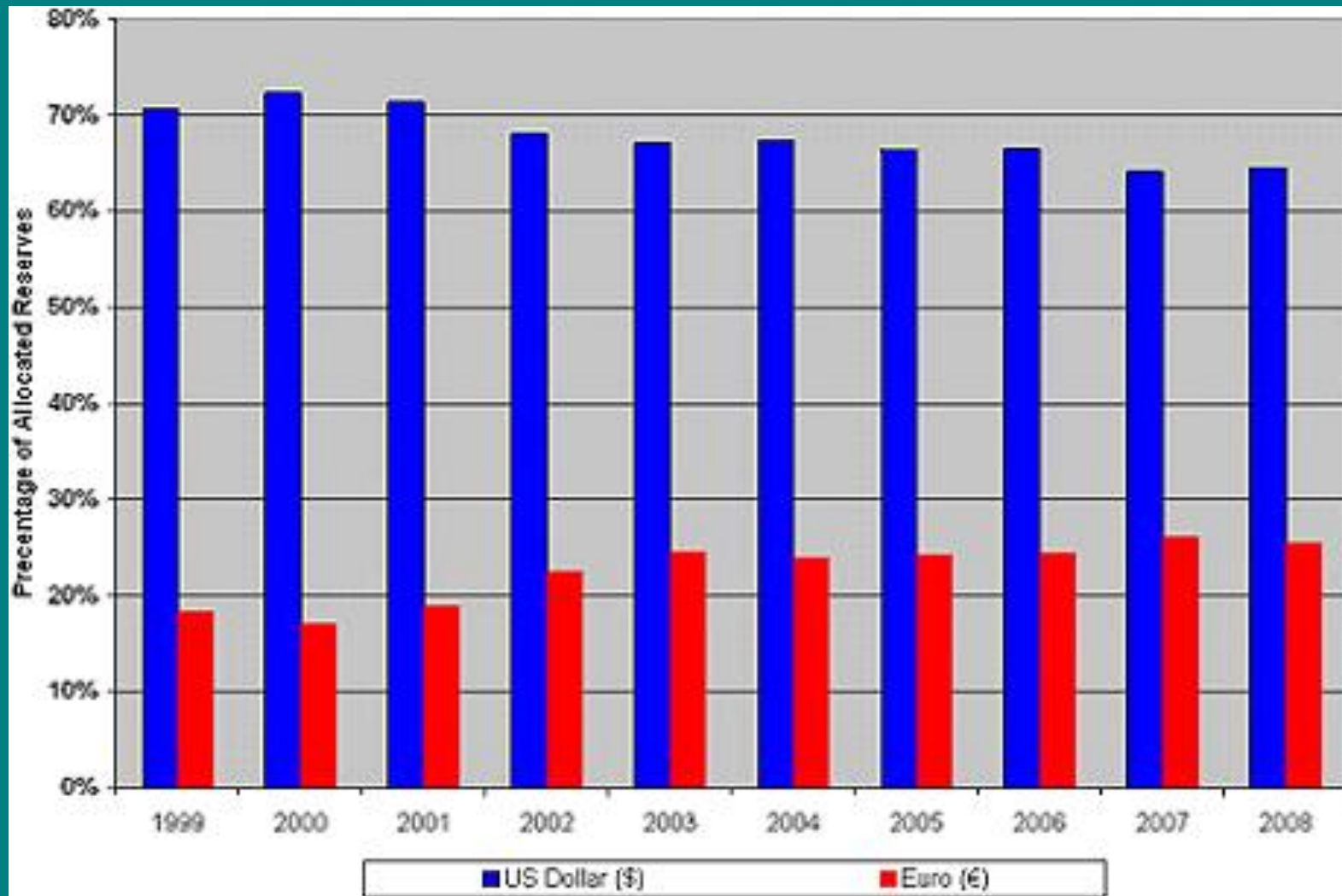
News clippings 2007- 2008

- October 2007 : increase in demand for Euros by 62% by Russian citizens while demand for US dollars dropped by 19% (Year on year);
- In New York (in 2008) signs of : (*“we accept euros”!!!*) in many stores
- May 2007 Kuwait decided to peg their currency (Dinar) to a basket of currencies and abandoned the peg to only the US dollar.

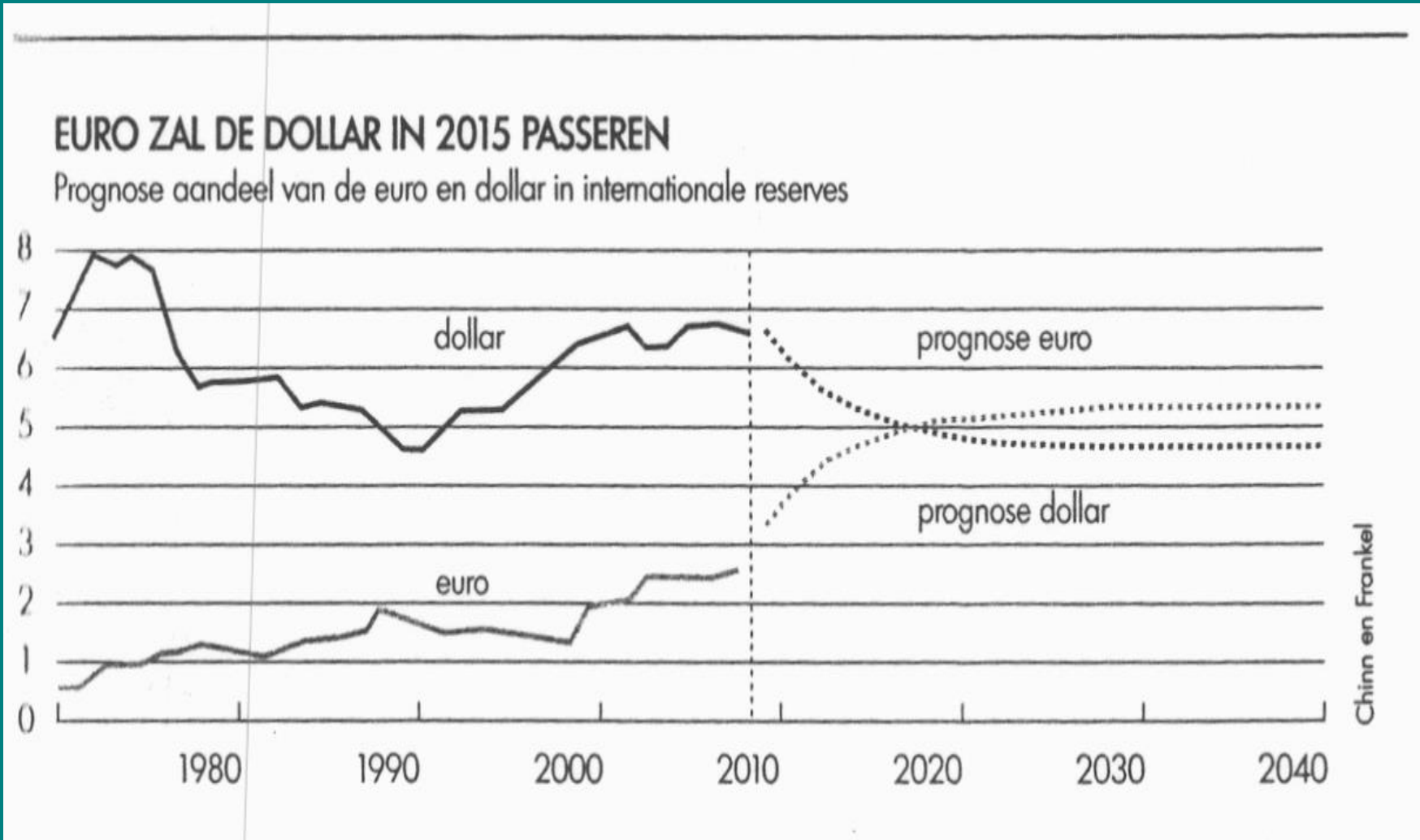
Euro appreciated against US dollar since its inception by 65%!! (low point 0.82 dollars to 1.35 dollar per Euro).



Euro as (1) an international reserve currency?

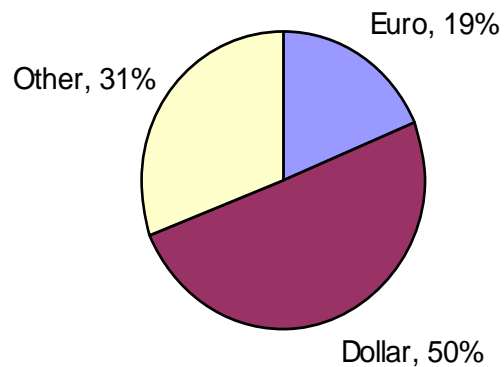


Euro as an international reserve currency?

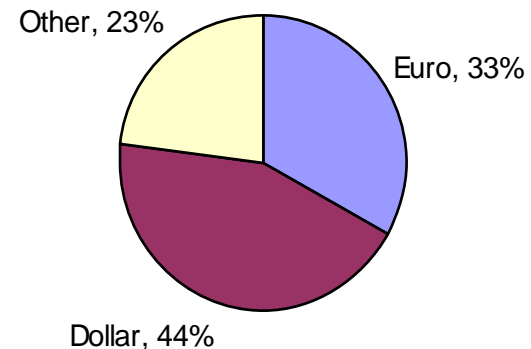


The role of Euro (2) the international bond market? (denomination of new issues!)

1999



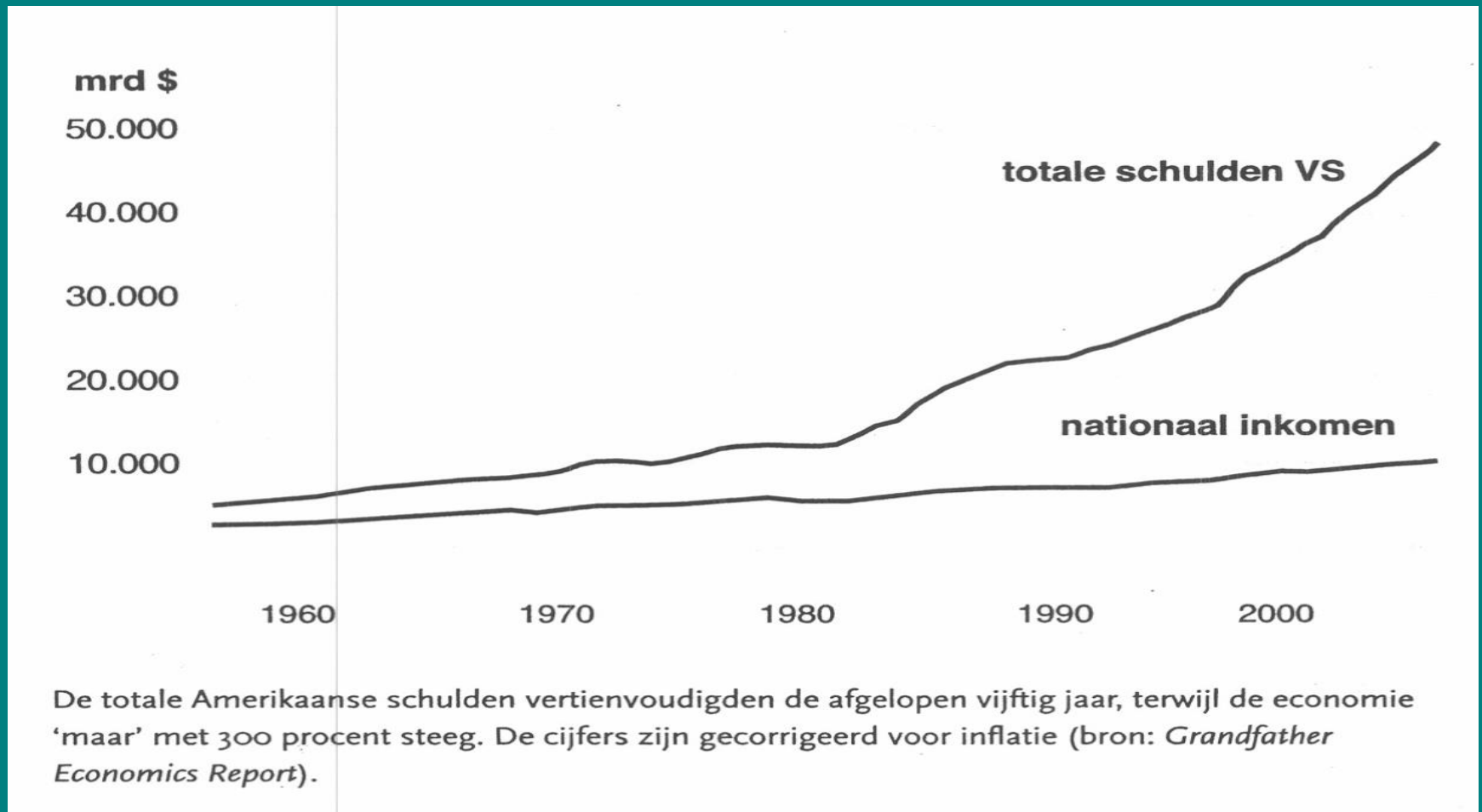
2007



Threats for the US dollar?

- 1. Growing Debt to GDP in the USA (due to wars, trade deficits, budget deficits, higher oil-prices)
- 2. New international “currencies” as competitors of the dollar?
 - After the “Euro”,
 - Will we get the “Asio”?, “Arabo”?, “Latino”?
- 3. Monetary union of the Arab nations:
- 4. What will China do with all it’s dollar reserves?

Ad. 1: Total debt USA to GDP



Ad. 3: Monetary union in the Arab World?

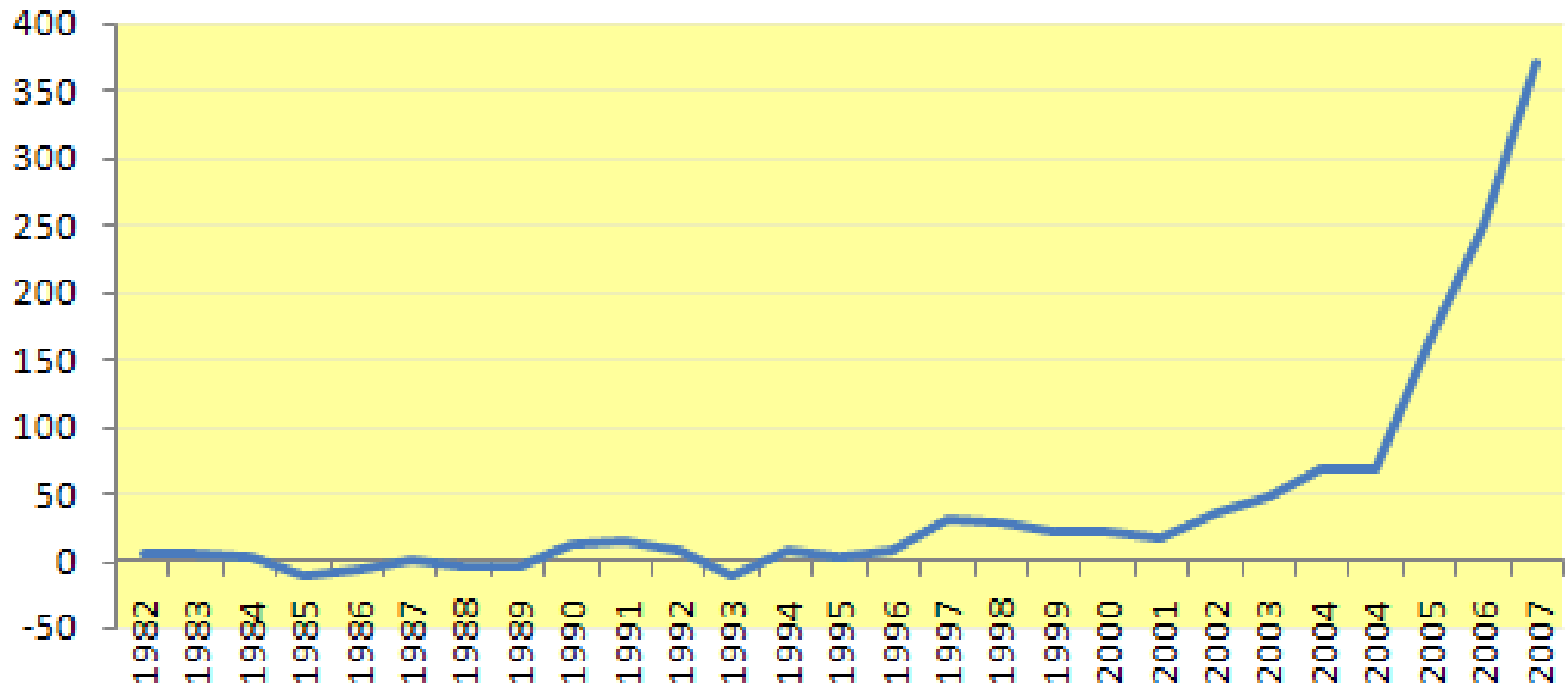
- 1.Saoedie Arabia, 2.United Arab Emirates, 3.Bahreïn, 4.Qatar and 5.Kuwait;
- Are planning to introduce their own currency named: “KHALEEJI” in 2010;
- “ KHALEEJI” means “from the gulf”
- Symbol is



Ad. 4: Current Account “surplus” of China (1982-2007)

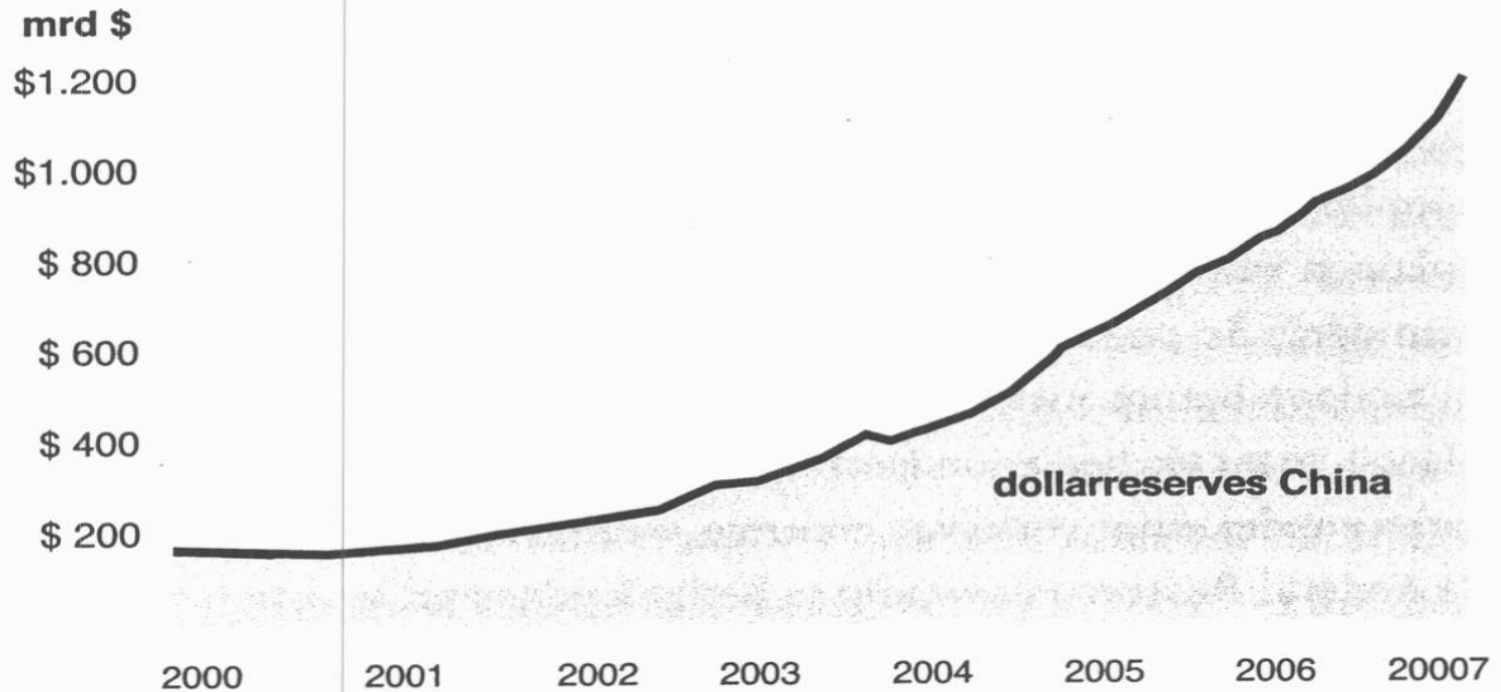
China's current-account balance 1982-2007 in USD billion

Source: State Administration of Foreign Exchange



Ad. 4: Dollar reserves in China!!

(\$1,900 billion per end Q-1 2009)



Vooral China heeft enorme dollarreserves opgebouwd en daarmee mede gezorgd voor de financiering van de Amerikaanse tekorten (bron: Fed).

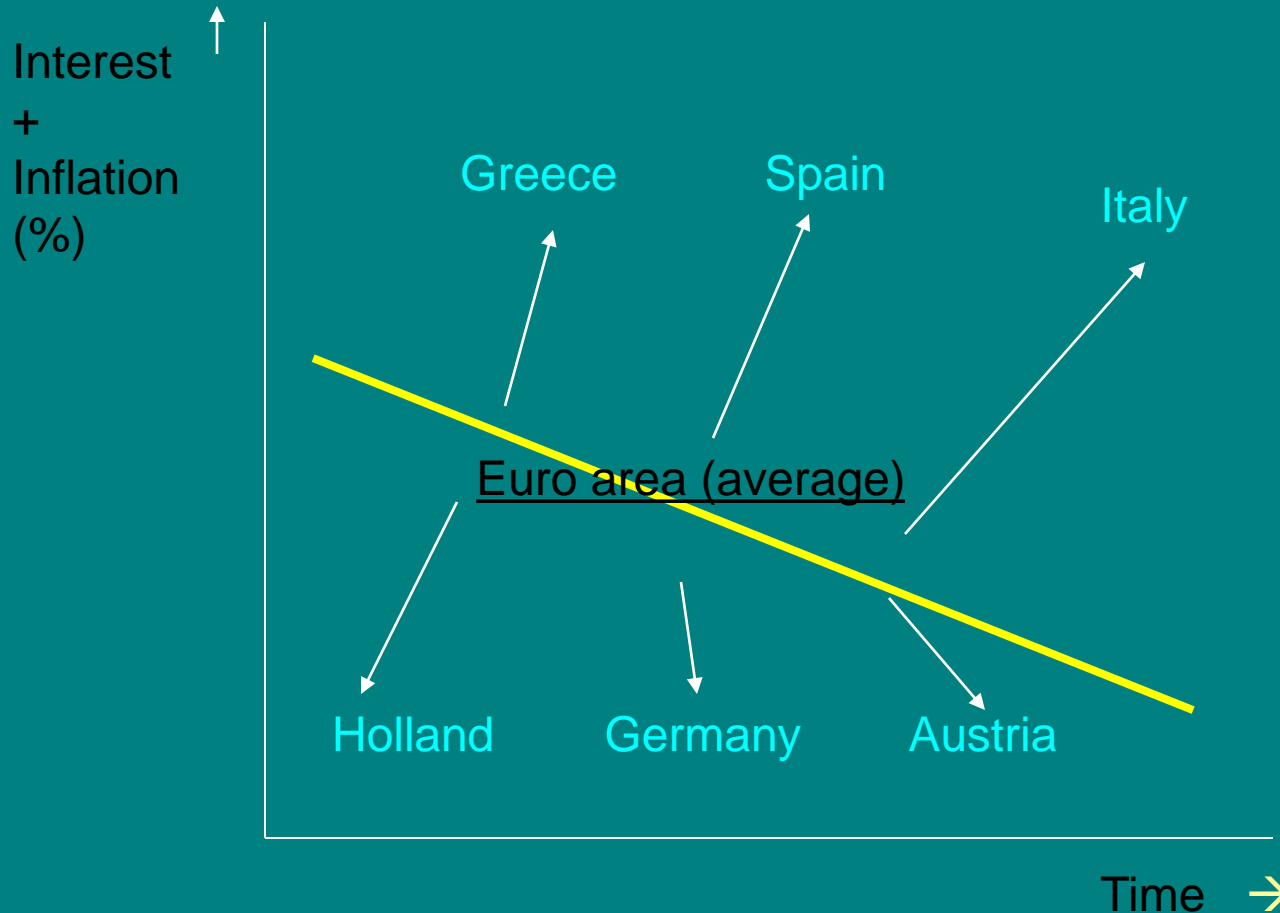
Scenario A: “ Euro takes-over the role of the dollar”

- Euro will become the dominant international currency by 2015 - 2020?
- Fiscal discipline is of crucial important!
Debt to GDP (< 60% !!!) and budget deficit (< 3% !!!) must be under control and manageable
- Inflation targets of $\leq 2\%$!!!
- Reserve currency?
- Acceptance of the Euro by all EU members!
- International bond market?
- The challenge for a political union!

Scenario B: “Euro seizes to exist”

- Divergent commitments on fiscal-discipline and strong inflation fighters : Germany, Holland and Austria
- Weak performing Euro area countries: Italy, Spain, Greece, France;
- Strong countries can decide to leave the European monetary union because they pay on average a higher interest because of the lack of discipline by the weak countries;
- Weak countries (Italy, Greece, Spain and France) could take the step to abandon the union because they cannot use the exchange rate policies of the past (devaluations of e.g. the Lire) to cope with economic setbacks.

Weak countries pulling Inflation and interest rate up while Strong countries are pulling the yield-curve down



Duitsland verplicht uit de euro?

FEM blad: 19 mei 2009 | 9:44 | door: Edin Mujagic



Betekent een rechterlijke uitspraak uit 1993 dat Duitsland ooit vaarwel moet zeggen tegen de euro?

END

»Questions?