

## **Benoît Cœuré: Interview in *L'Orient-Le Jour***

Interview with Mr Benoît Cœuré, Member of the Executive Board of the European Central Bank, in *L'Orient-Le Jour*, conducted by Ms Cyrille Nême and published on 6 October 2015.

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### **Has the crisis that the euro area has experienced over the last five years damaged its international status?**

Paradoxically, while the euro area has been hit by two successive extremely serious crises – first the sub-prime crisis which brought to light serious flaws in the European banking system, and then the so-called “sovereign debt crisis” which revealed weaknesses in economic governance within the euro area – these have not in any way reduced the attractiveness of the euro. On the contrary, the different dimensions of its international use – as a reserve currency, an invoicing currency or a financing currency – have demonstrated a notable stability. At constant exchange rates, the share of the euro in global reserves has thus remained broadly stable since 2007–08. Its use as an invoicing currency or settlement currency for extra-euro area trade has not changed significantly either. Above all, also owing to extremely low interest rates this year, international borrowers have increasingly used the euro as a financing currency: for example, one-quarter of the debt securities issued in foreign currency this year in Lebanon has been in euro and, in April, Mexico became the first State to issue a bond in euro with a one-hundred-year maturity.

In fact, and this is another paradox, while many analysts foresee a more multi-polar international monetary system, the euro continues to be used in 20–25% of international trade, firmly in second place behind the dollar (50–60%). All the other currencies remain far behind, despite the marked progress of the renminbi in the invoicing of international trade, thanks to China’s leading role in the latter.

### **Unlike most other currencies, the euro encompasses nineteen heterogeneous economies and national interests which are sometimes very divergent, as for example the debates surrounding the Greek debt crisis reminded us. Does this remain a disadvantage as far as international investors are concerned?**

The fact that the euro has maintained its international status over this period seems to signal confidence among investors about the ability of the euro area to overcome its crises. In forcing the euro area to strengthen its governance, this “trial by fire” might even have contributed to improving the prospects of the euro as an international currency.

Furthermore, with regard to the Greek issue, there was genuine consensus within the Eurogroup that Greece had to respect the rules of the game of Economic and Monetary Union (EMU). The crux of the debate chiefly concerned the tension between the democratic legitimacy of an elected government and that of its European creditors, which also need to be accountable to their citizens regarding the fate of their loans or in granting a new support package. An agreement was signed in August and it is important for the new Greek government to implement it in a forceful way with a view to quickly re-establishing confidence and enabling the Greek economy to recover.

That said, the Greek crisis also highlighted the need to simplify the governance of the euro area. This experience demonstrated, for example, that decision-making by simple majority within a common institution such as the ECB is more efficient and faster than intergovernmental decision-making and that it is necessary to strengthen the convergence of the euro area economies and facilitate the completion of Economic and Monetary Union in the spirit of the “Five Presidents’ Report” published in June this year – editor’s note: composed of Donald Tusk (European Council), Martin Schulz (European Parliament), Jean-Claude Juncker (European Commission), Jeroen Dijsselbloem (Eurogroup) and Mario Draghi (ECB).

**To what extent can the ECB contribute to strengthening the international status of the euro?**

While the prospect of seeing the euro play a substantial international role alongside the dollar may have been considered by some as a motivation for its creation, its promotion does not feature anywhere in the Treaty. Likewise, on monetary issues, the ECB's primary mandate is to maintain price stability. We neither encourage nor discourage the international role for the euro, which continues to be essentially determined by the markets.

That said, progress towards a genuine financial union, with better connected capital markets, could indirectly support their depth and liquidity and, in doing so, the international role of the euro. Even if this strengthening of the euro were not an aim in itself, it would attest to the continued confidence of the rest of the world in the single currency, but also to the success of the European Union in completing EMU.