



# European Debt Crisis: Stages and Solutions

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# Summary

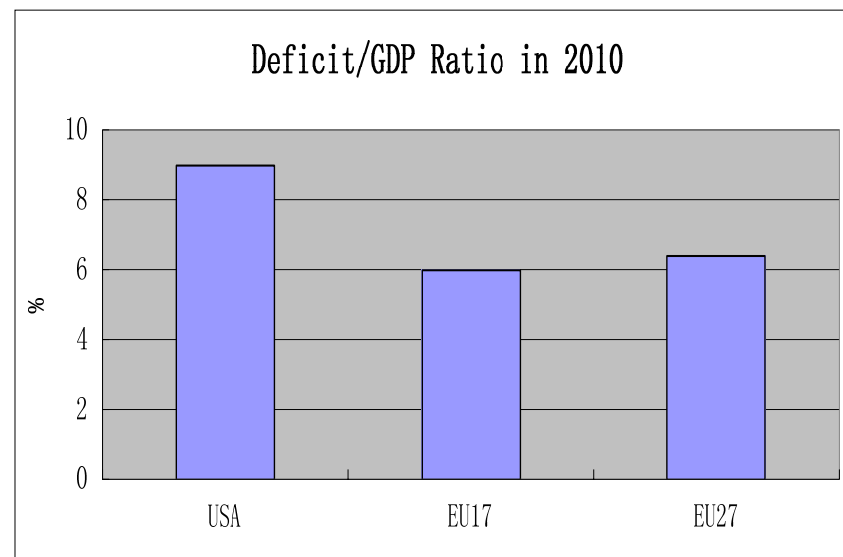
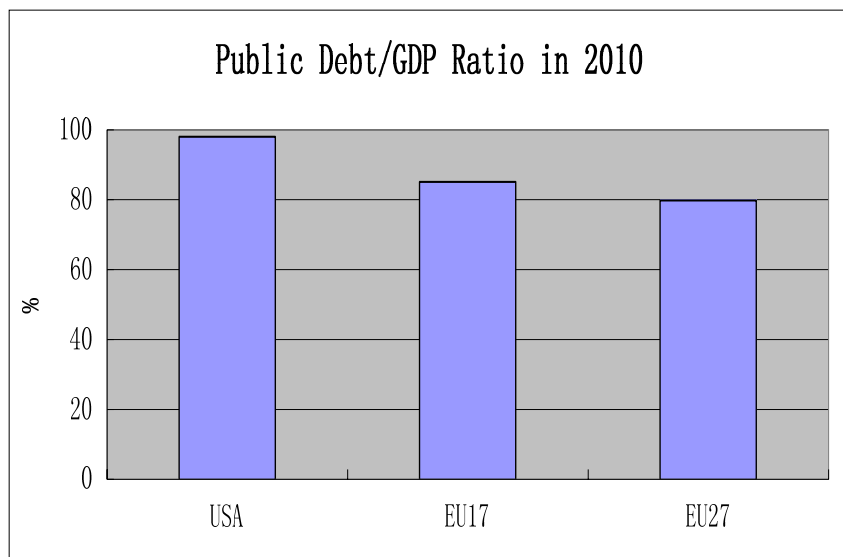
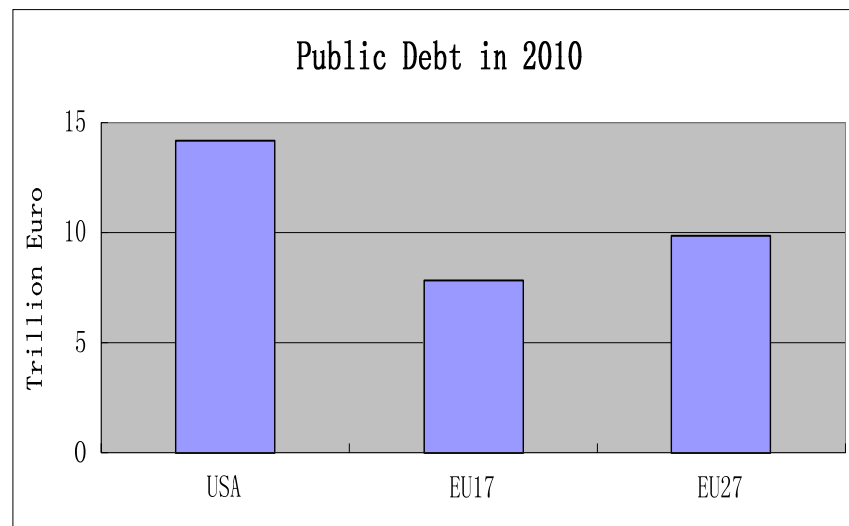
- Introduction
- Three stages
- The way forward



1. Introduction:  
European Debt Crisis  
≠  
Europe in Debt Crisis



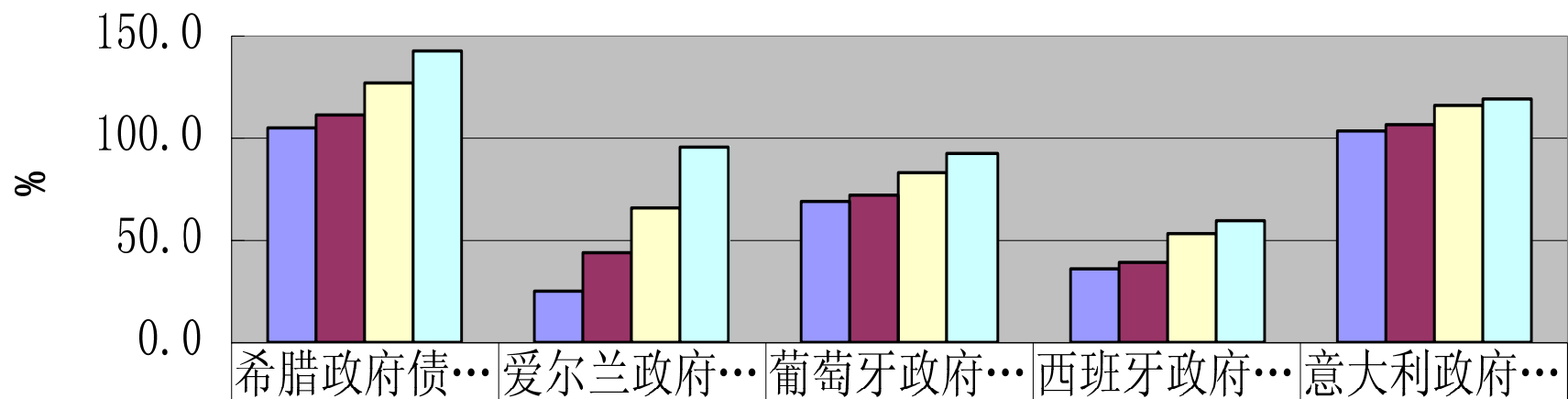
# 1.1 EU vs USA





## .2 Public Debt/GDP Ratio

政府债务占GDP比重



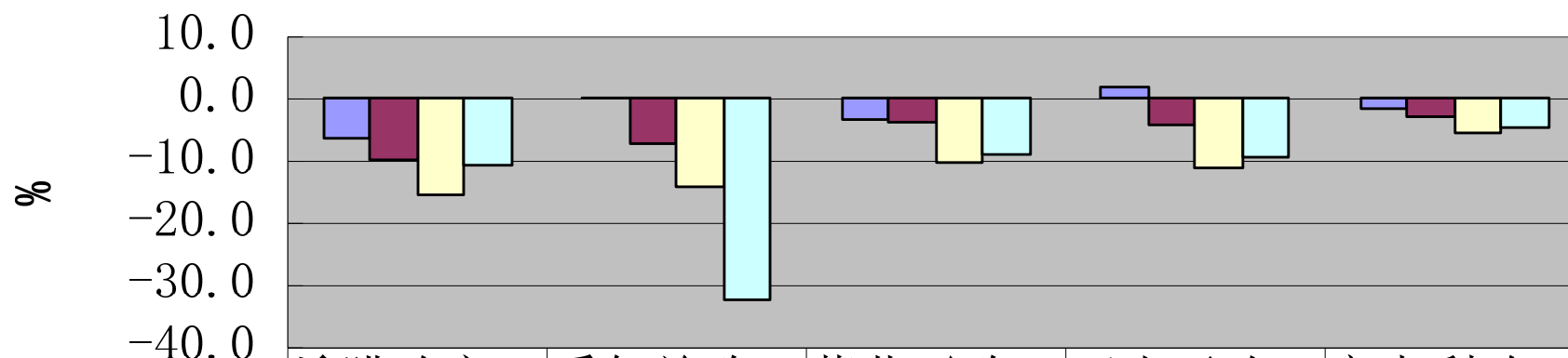
2007	105.4	25.0	68.3	36.1	103.6
2008	110.7	44.4	71.6	39.8	106.3
2009	127.1	65.6	83.0	53.3	116.1
2010	142.8	96.2	93.0	60.1	119.0

数据来源: Euroindicators, Eurostat Newsrelease, 60/2011, 26 April 2011



# 1.3 Deficit/GDP Ratio

## 政府赤字占GDP比重



	希腊政府...	爱尔兰政...	葡萄牙政...	西班牙政...	意大利政...
2007	-6.4	0.1	-3.1	1.9	-1.5
2008	-9.8	-7.3	-3.5	-4.2	-2.7
2009	-15.4	-14.3	-10.1	-11.1	-5.4
2010	-10.5	-32.4	-9.1	-9.2	-4.6

数据来源: Euroindicators, Eurostat Newsrelease, 60/2011, 26 April 2011



## 1.4 European special futures

- Greece+Ireland+Portugal=6% GDP of Eurozone
- Not only an economic issue, a financial issue, but also an political issue due to the European special political structure
- And also the leagal system in Europe
- leaving the manipulating spaces for the speculators
- And the solution for the crisis is not the best one, but the compromised one, and possibly the most expensive one



## 2. Three stages of the crisis





## 2.1 Stage one

- Greek crisis
- from no bail-out to 110 billion Euro package by IMF and EU member states in May 2010
- bilateral bail-out



## 2.2 Stage Two

- May 2010 - summer 2011
- 750 billion Euro Rescue Package, including 440 billion Euro EFSF, 60 billion Euro EFSM, 250 billion Euro from IMF
- Ireland and Portugal into Crisis



## 2.2 Stage Two

- EFSF is a tool for "recovery after disaster", no firepower when the crisis contagion
- Problem of liquidity or insolvent
- ECB bond-purchasing action



## 2.3 Stage Three

- EFSF 2.0: enhanced firepower
- New authorization in primary bond market
- New authorization in secondary bond market
- Increased effective capacity to 440 billion Euro



## 2.3 Stage Three

- Crisis spreading to banking sector
- Financial speculation on Italy and Spain
- Greece crisis remain



### 3. The Way forward



## 3.1 Long term

- Enhancing competitiveness
- Reindustrialization
- Infrastructure construction
- No possibility for next round stimulus package, No possibility for QE
- Available instruments: Project Bond, Structure Fund, EU2020 Strategy



## 3.2 Mid term

- Further coordination in field of economic policy, fiscal policy, and enhanced financial supervision
- 6 package on Economic Governance:
  - Preventive and corrective tools under SGP
  - Excessive Imbalances Procedure
- Financial supervision: ban on net short selling, etc.





## 3.3 Short term: mixed picture

- Enhanced firepower by leveraging EFSF: to what extent
- Recapitalization of banks: which approach
- Greece: orderly default, how



# Conclusion

- European integration: To be or not to be
- Liquidity and Confidence
- Homework first for Europeans
- The most foolish thinking: trying to find scapegoat in order to promote protectionism either in trade or in investment



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