Excessive current account surpluses in euro zone economies – problem of particular economies or the euro area as a whole?

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Abstract. This paper focused on current account imbalances, which are characteristic for euro area economies. The aim of this article is to analyse a problem of external imbalances from the perspective of the surplus countries. This approach is related to new EU regulations on macroeconomic imbalances, which point that both excessive deficits and surpluses are symptoms of disequilibria and should be corrected. The research question is whether a persistent current account surplus signals macroeconomic problems, and if so, what are the areas of concern and who suffers from external disequilibria: a surplus country or the rest of the euro zone economies. The article provides an analysis of macroeconomic aggregates accompanying the accumulation of excessive current account surpluses in two euro zone economies - Germany and Netherlands. The analysis is based on fundamental balance of payments identity and national income identity which are helpful in interpreting relations between current account, net international investment position and macroeconomic aggregates like: saving, consumption and investment. The article revealed that the current account surpluses in the two examined euro zone economies negatively correspond both to private consumption and domestic investment, however the scale of investment reduction was bigger than consumption. Moreover, conventional Feldstein-Horioka regressions of investment on saving run on a sample of OECD and euro zone countries confirmed lower coefficients for EMU member states, suggesting stronger "uncoupling" of domestic saving from domestic capital formation in integrated economies. Another conclusion is related to big foreign asset accumulation, which could create excessive foreign investment risk. The last observation is that among the euro area countries the two studied economies were ones of the most affected by protectionist actions.

INTRODUCTION

The recent global crisis not only revealed complexity of determinants which generated a sharp collapse in international trade but also highlighted the problem of accumulating excessive external imbalances which had begun in many key economies before 2008. There is a vast literature on the reasons for big decline in volume of world international trade during the last financial crisis (e.g. McKinnon 2009, Eichengreen 2009, Baldwin and Taglioni 2009, or Lee et al 2013). The researches on external imbalances focus also on explaining consequences of excessive external imbalances, especially when these imbalances are still ongoing and there are concerns that they emerge big costs of adjustment.

As most of the researches concerning external imbalances focus on deficit countries (Blanchard and Giavazzi 2002, Blanchard 2007) the analysis of a problem of excessive external imbalances is undertaken from the perspective of the euro zone surplus countries. This concept is related to new EU regulations on monitoring and correcting macroeconomic imbalances[1], according to which not only excessive deficits but also excessive surpluses are symptoms of disequilibria and should be corrected. From the outset of the Economic and Monetary Union (EMU) two euro zone leading economies - Germany and Netherlands have registered high and persistent surpluses of their current accounts. The objective of this article is to identify changes of macroeconomic aggregates accompanying the accumulation of excessive external imbalances which can help understand why persistent current account surplus is considered as a signal of macroeconomic risk.

The analysis is based on fundamental balance of payment identity and national income identity which are helpful in interpreting adjustments in net international investment position and macroeconomic aggregates like: saving, consumption, investment which come with changes in country's current account position. According to national income identity current account surplus coexists with positive gap between national saving and investment. However, because private saving, government deficit investment and the current account are jointly determined variables, it cannot be fully determined the cause of a current account change using the fundamental national income identity (Krugman, Obstfeld 1994). The aim of this research is not to find the determinants of external imbalances between euro zone economies, but to examine how the variables linked by national income identity and balance of payments identity have evolved since the beginning of the euro zone, that is from 1999[2]. While the national income identity implies that, the rise of saving and investment gap must coexist with the current account surplus, it is not clear whether the excess of national saving over investment is caused by the decrease in private consumption, public spending or domestic investment. Changes of particular demand aggregate imply different macroeconomic consequences. Moreover, because an open economy can not only save by building up its capital stock (increase in investment) but also by acquiring foreign wealth, the countries with positive gap between national saving and investment must improve their net international investment position. The risk of foreign investment located within a common currency area may seemed to be eliminated because of no exchange rate fluctuations, however as the last crisis revealed, the risk of repaying the accumulated loans by deficit countries has been still valid in a monetary union.

This paper is organized as follows. Section I presents the concepts of excessive current account imbalance. The evolution of external imbalances and relation between saving and investment in two studied euro zone countries (Germany and Netherlands) are presented in Section II. Section III focuses on examining

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[1]   Regulation (EU) No 1176/2011 of the European Parliament and of the Council on the prevention and correction of macroeconomic imbalances and Regulation (EU) No 1174/2011 of the European Parliament and of the Council on enforcement measures to correct excessive macroeconomic imbalances in the euro area.

[2]   Short-term and medium-term determinants of current account proposed by Debelle and Faruqee (1996) were then developed in the literature e.g. by Chin and Prasad (2003), Chinn and Ito (2005). Determinants of current accounts for the EU and euro zone countries were analysed by Śledziewska and Czarny (2013).

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the size of net international financial positions of the studied economies prior and after the global financial crisis. The scale of protectionism against the euro area countries with persistent current account surpluses was presented in section IV. The last part concludes with implication of the evolution of macroeconomic aggregates which run with persistent current account surpluses in the two leading euro area economies – Germany and Netherlands.

1. CONCEPTS OF EXCESSIVE CURRENT ACCOUNT SURPLUS

The term excessive current account surplus is related to the problem of external balance, which is not explicitly defined in international economics. Krugman and Obstfeld (1994) stands that '*external balance is attained when a country's current account is neither so deeply in deficit that the country may be unable to repay its foreign debts in the future nor so strongly in surplus that foreigners are put in that position*'. The above mentioned definition underlines the problem of external imbalance from the perspective of a deficit country, however it also signals that excessive surplus positions can trigger repayment problems. The authors also claim whether an economy's trade with the outside world poses macroeconomic problems depends on several factors, including the economy's particular circumstances, conditions in the outside world, and the institutional arrangements governing its economic relations with foreign countries. This approach is interesting having regard to the problem of external imbalances in the European Union (EU) economies because some of the EU member states have adopted the euro, while the other members are still operating outside the euro zone. The question arises whether the EU should apply different approaches (measures and definitions) to external imbalances for euro members and countries with derogation. The authors admit that the above-quoted definition is simple and doesn't cover the full range of potential policy concerns, however it can be useful in interpreting the majority of goals that most policy makers share regardless of the particular economic environment.

In international economics current account imbalances are often related to international financial flows. Since a country can import more than it exports only if it can borrow the difference from foreigners, and if so, a country with a current account deficit must be increasing its net foreign debts by the amount of the deficit. This reasoning is based on fundamental balance of payments identity:

$$\text{Current account + capital account + financial account} = 0$$

The above-mentioned equity shows that the sum of the current and capital accounts is the total change in a country's net foreign assets (the difference between a country's purchases of assets from foreigners and its sales of assets to them, that is, the financial account balance including official reserves) which can be also interpreted as the change in its net foreign wealth. The key point in examining external imbalances, is to assess whether a country's net investment position poses risk related to foreign liabilities and assets. Taking into consideration that the last financial crisis has revealed not only big discrepancies in competitiveness among EU member economies but also weaknesses in integrated financial markets (Gros 2012, Lane 2013, Hobza and Zeugner 2014, Chen, Milesi-Ferretti, Tressel, 2012), the above-mentioned relation between current accounts, capital accounts and financial flows seems to be fundamental to understanding the risk of persistent external imbalances in euro zone member states.

It is worth to note that a definition of "imbalances" and "excessive imbalances" have been given in the EU new regulations enforced in the aftermath of the crisis. In response to internal and external imbalances emerged among the European economies, the EU decision making bodies (The European Parliament and

The Council) have reformed and strengthened their economic governance. One of the new institutional solution is Regulation 1176/2011 on the prevention and correction of macroeconomic imbalances. Its aim is to identify member states that may be affected by, or may be at risk of being affected by macroeconomic imbalances[3]. Another Regulation 1174/2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area is to ensure the efficiency of rebalancing.

The new UE regulations specify an indicative and transparent "scoreboard" which consists of a set of economic, financial and structural indicators relevant to the detection of macroeconomic imbalances, with corresponding indicative thresholds (European Commission, 2014). With reference to external imbalances, the indicators comprise evolution of current account and net investment positions of member states; real effective exchange rates; export market shares; changes in price and cost developments; and non-price competitiveness, taking into account the different components of productivity. Moreover, the scoreboard of indicators has upper and lower alert thresholds, which are differentiated for euro and non-euro area member states.

Two of the headline indicators refer directly to a current account imbalance. The first corresponds to a three-year backward moving average of the current account balance as percent of GDP which should not exceed the thresholds of +6% (current account surplus) and -4% (current account deficit). The second indicator points that net international investment position as percent of GDP should not exceed a threshold of -35%. It is worth to notice, that whereas both current account surplus and deficit are presumed as symptoms of external disequilibria, the indicator for net international investment positions is limited only to foreign liabilities which come with current account deficit and does not include excessive foreign claims which correspond to a position of a surplus country. It must be added, however that according to the new EU regulations the composition of the scoreboard indicators may evolve over time and the indicative thresholds can be also adjusted, as economic conditions changes.

2. THE EXCESSIVE CURRENT ACCOUNT SURPLUSES AND THE LEVEL OF SAVING AND INVESTMENT

For the purpose of this research the problem of excessive current account surplus is referred to a three-year net current account positions which exceeded the upper threshold of 6% GDP set in the EU regulations. To analyse the evolution of saving and investment which accompanied current account surpluses, the euro area countries have been selected according to two criteria: the size of current account surplus and the persistence of external imbalances in period 1999-2013. This selection identified two economies: Germany and Netherlands which registered persistent and excessive current account surpluses. That is, since 1999 they have increased their net current account balances systematically and often registered surpluses exceeding 6% of GDP.

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[3] According to the Regulation of the European Parliament and The Council No 1176/2011 on the prevention and correction of macroeconomic imbalances, the European Commission prepares an annual report which contains a qualitative economic and financial assessment. The report is based on a scoreboard with a set of indicators the values of which are compared to their indicative thresholds. As part of the multilateral surveillance in the European Union the Council transmits the report to the European Parliament, the Council and the European Economic and Social Committee. Taking account of the discussions within the Council and the Eurogroup (in case of member states whose currency is the euro) the Commission undertakes an in-depth review for each Member State that it considers may be affected by, or may be at risk of being affected by, imbalances.
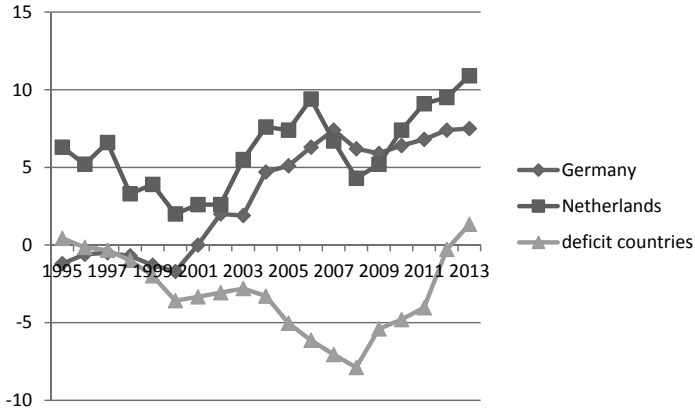
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**Figure 1. Net current account in euro zone member economies prior and after creation of the EMU
(as percentage of GDP)**
Sources: Data form Eurostat database (http://ec.europa.eu/eurostat/data/database)

Figure 1 shows that during functioning in the EMU, especially over the first decade divergences in current account positions of the EU economies increased substantially. In 1995 the group of deficit countries (Greece, Spain, Portugal, Ireland, Italy and France) had current account position close to balance, but then their current accounts deteriorated and just before the global crisis broke out, the average current account deficit reached 8% GDP. Other euro zone members like Germany and Netherlands had accumulated big external surpluses. It is interesting that since 1999 Germany has changed its position from deficit to persistent surplus, whereas Netherlands which before 1999 had reduced its positive net current account balances (from around 6% GDP to 2,5% GDP)[4], started accumulating huge surpluses. In the case of Germany the average net current account in 1999-2013 was around 5% of GDP, and over the years 2012-2013 it reached 7.5% - the level regarded as excessive[5]. In Netherlands accumulation of current account surpluses began in 2002 and except the first years of the financial crisis (2008 and 2009) was continued till 2013 reaching nearly the level of 11% of GDP. Figure 1 also shows that, over the period 2010-2013, European deficit countries significantly reduced their imbalances, whereas the surplus countries like Germany and Netherlands strengthened their net current account positions.

To analyse the evolution of macroeconomic aggregates which coexist with persistent current account disequilibria, a national income identity has been used. The reasoning based on the fundamental national income equation $(Y = C+I+G+NX)$ reflects relations between production and aggregate demand components (C - consumption, I - investment, G - government spending and NX - net export). Assuming that CA

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[4] Deterioration of net current accounts in Germany and Netherlands before 1999 were mainly due to decrease in consumption in other EU members which tried to accomplished Maastricht criteria.

[5] As it was mentioned earlier according to Macroeconomic Imbalances Procedure (enacted by the European Union in 2012) the threshold indicators for current account balance have been established at +6% (maximum surplus) and -4% (maximum deficit), calculated as 3 year backward moving average of the current account balance as percent of GDP.

equals trade balance *(NX)[6]*, and adding and deducting taxes *(T)* to the right side, the above equation can be converted into:

$$CA = (Y\text{-}C\text{-}T) + (T\text{-}G) - I,$$

where *(Y-C-T)* is private saving, *(T-G)* is public saving, *I* is spending on investment, and *CA* is current account. So, the equation can be rewritten as:

$$CA = S - I,$$

where *S* is a sum of private and public saving. According to national income identity the current account surplus reflects positive gap between national saving and investment. This implies that the excess of national saving over domestic investment is spent on foreign assets. For assessing macroeconomic threats which are signalled by persistent current account surpluses it is worth to examine whether positive gap between national saving and investment is driven by the subdued domestic demand (private and public consumption) dynamics, or rather by reduction of investment. The last one can have not only short-term but also long-term effects, because lower capital formation results in reduction of potential output and economic growth, whereas the former one implies lower current demand (both for domestic and foreign goods and services) as a country with a current account surplus transfers consumption from today to tomorrow by financing a deficit of the trading partner. In high integrated economies this mechanism can extend stagnation via domestic demand and export-import channel.

Figure 2 shows evolution of saving and investment in the two studied economies. Both aggregates are related to GDP. It clearly shows the expending saving-investment gap, which was both due to dynamics of ratios of saving and investment to GDP. In German economy the reduction of ratio of investment to GDP was by 4.8 p.p. (from 21.8% in 1998 to 17% in 2013). In Netherlands the ratio of investment to GDP drop by 6.6 p.p. – from 22.8% in 1999 to 16.2% in 2013. In both economies regression equations confirmed a long-term trend of declining investment, which was visible before the crisis, that is after introducing the euro (fig. 2).

Trends in national saving show a tendency to a higher ratio of saving to GDP, except the crisis period (2008-2009). In Germany national saving rates increased from 21,1% in 1998 to 24,5% GDP in 2013. In the case of Netherlands saving rates decreased between 1998 and 2013 (from 25,2% to 24,1% GDP). Considering the specifity of post-crisis period it is more appropriate to compare changes in saving and investment before and after financial turmoil. When the subperiods are included, the data shows that before the crisis (2006-2008) the ratio of saving to GDP has increased by 4.5 p.p. in Germany and by 2.5 p.p. in Netherlands relative to 1998. These divergences reflect expanding saving-investment gap, and the resulting accumulation of current account surpluses in the two economies. It must be added, that in 2009, due to financial shock, saving in relation to GDP decreased in both economies (to 22.5% in Germany and 21.6% in Netherlands), but since then the ratio of saving started increasing again reaching, respectively 25.5% and 24.1%. However, despite lower saving rates during the crisis period, both economies have been keeping current account surpluses. Even in 2009 when, national saving in relation to GDP significantly decreased as a result of a sharp increase in government spending on financial market intervention programs, the current accounts stood positive.

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[6]   In fact, *CA* equals trade balance *(NX)* plus balance of unrequited transfers, however as a position of net unrequited transfers is relatively small, it is often ignored (Obstfeld, 2012).
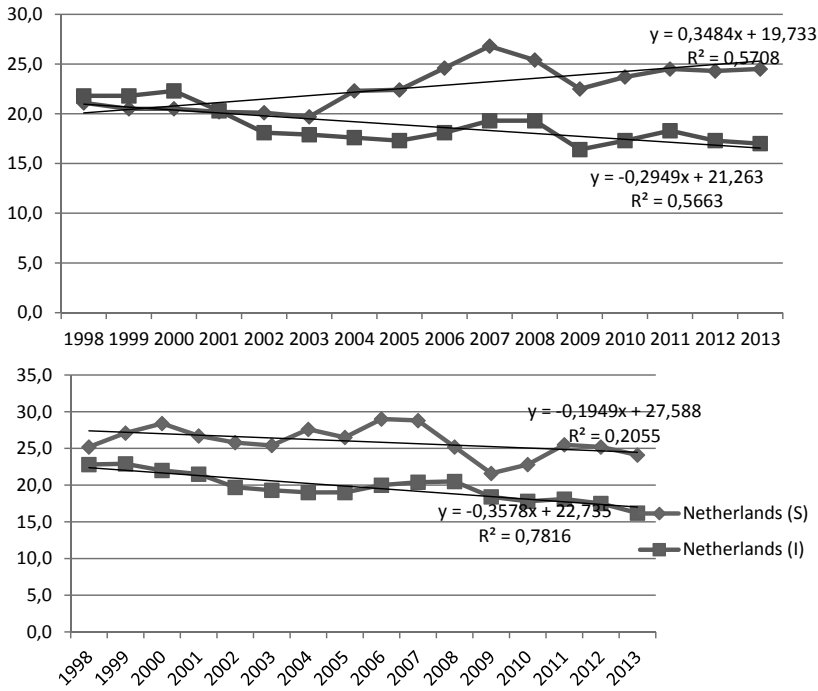
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Figure 2. Saving and investment in Germany and Netherlands from 1999 to 2013 (as percentage of GDP)
Sources: Data form Eurostat database (http://ec.europa.eu/eurostat/data/database).

To assess how private and public consumption influenced total domestic saving, figure 3 illustrates evolution of final consumption expenditure of households (C) and final consumption expenditure of general government (G) in the two studied economies.

During their membership in the euro zone, both economies experienced a decrease in consumption expenditure of households related to GDP, and an increase in public spending. In Germany these changes were relatively moderate, whereas in Netherlands consumption of households decrease more significantly - from 49.7% in 1999 to 43.8% in 2014, and public consumption increased by from 20.5% (in 1999) to 25.8% (in 2014). It can be concluded, that higher ratio of public consumption was offset by lower private expenditure. This phenomenon can be explained by 'ricardian equivalence', as well as unprecedentent scale of public intervention during last financial crisis. Moreover, long-term trends of decreasing private consumption come with the ageing population and together with lowering ratio of investment to GDP are considered as symptoms of secular stagnation. The analysis of relations mentioned in national income identity revealed that in the two economies current account surpluses had their origin rather in private investment and private saving, than public sector saving[7].

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[7] This conclusion confirms the IMF results, which showed that Germany's real domestic demand growth during its surplus episode (since 2004) was less than half of its growth in "normal times" (IMF, 2015).
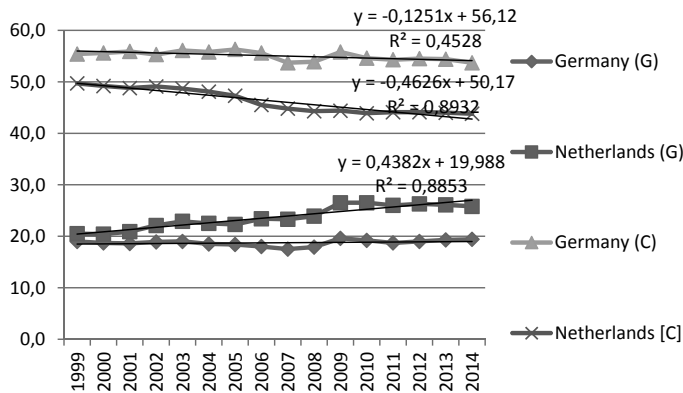
Figure 3. Private and public expenditure in Germany and Netherlands from 1999 to 2014 (as percentage of GDP)
Sources: Data form Eurostat database (http://ec.europa.eu/eurostat/data/database).

The analysis of trends in saving and investment in the "surplus countries" confirms the hypothesis of "uncoupling" of these two aggregates. Correlation between national saving and domestic investment is analysed in the economic literature on the base of Feldstein-Horioka puzzle. In their original article from 1980, Feldstein and Horioka demonstrated that across OECD countries, long-term averages of saving rates were highly correlated with domestic investment rates. Cross-section regressions of investment on saving yielded coefficient 0.89, posing a question about high level of "saving retention" in economies relatively open for capital flows. Obstfeld and Rogoff (2000) classified Feldstein-Horioka regularity as one of the six major puzzles in international macroeconomics. The authors run regressions on a sample of different groups of countries over the period 1990-97. For a group of 24 OECD countries they obtained a coefficient of 0.6. They claim that despite lowering correlation between saving and investment over time, it still remains large and significant. Different conclusions were presented by Blanchard and Giavazzi (2002) whose regressions of investment on saving covered the period 1991-2001. Their results gave coefficients of 0.58 for OECD countries, 0.36 for European Union countries, and only 0.14 for the euro area.

To verify the relation between investment and saving over the period 1998-2014, that is when external imbalances were accumulated, three sets of regressions were run for a sample of 21 OECD countries. Table 1 shows the estimated values of Feldstein-Horioka coefficients (b) for the whole period 1999-2013, and two subperiods: pre- and post-crisis.

The estimated coefficients presented in table 1 show that correlation between investment and national saving in OECD countries was very weak in the period 1998-2014, but statistically significant. This confirms the hypothesis formulated by Obstfeld and Rogoff (2000) and also Blanchard and Giavazzi (2002) that relation between domestic investment and national saving declines over time. Moreover, coefficient estimated for 1998-2008 implies that before crisis investment and saving were practically uncorrelated. This observation is in line with Blanchard and Giavazzi (2002) findings for euro area countries and their hypothesis of uncoupling investment from saving in highly integrated economies[8].

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[8] Regressions including year-specific effects run by the authors gave also negative and close to zero coefficients for euro area countries.

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Table 1

Estimated coefficients in Feldstein-Horioka regressions, $I/Y = a + b \, S/Y + \varepsilon^*$

	a	*b*	R-squared
1998-2014	18.52*** [0.66]	0.17 *** [0.028]	0.08
1998-2008	24.31*** [0.77]	-0.04 [0.032]	0.006
2009-2014	12.94*** [0.84]	0.35*** [0.038]	0.39

*$(I/Y)_{it}$ and $(S/Y)_{it}$ are ratios of investment and saving to GDP, respectively, in country *i* and year *t*. In parentheses std. error,
***p<0.01, ** p<0.05, * p<0.1.

3. NET INTERNATIONAL INVESTMENT POSITIONS AND CURRENT ACCOUNT SURPLUSES

It should be noticed that not only current account deficits generate macroeconomic risks and costs, but also persistent current account surpluses raise concerns about external risk exposure. A trade surplus implies net lending from the country to the rest of the world (positive net international investment position - NIIP), whereas a trade deficit implies that a country must be borrowing from abroad (negative NIIP). The first situation corresponds to the risk of yields from foreign assets, whereas the second one relates to default of a debtor country. Figure 4 presents evolution of NIIP (as a stock) and net current accounts of Germany and Netherlands in the period 1999-2013. A visible long-run coherence between NIIP ratios to GDP and net current account to GDP is shown in the graph. Positive NIIP which in 2013 reached around 50% of GDP signifies that both Germany and Netherlands become important net lenders to the rest of the world.
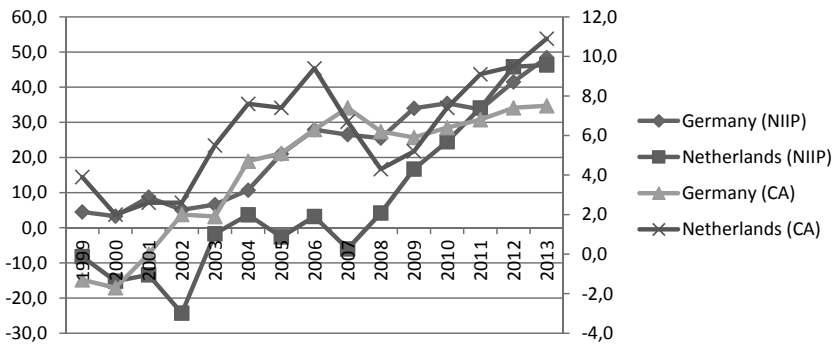

Figure 4. Net international investment position (NIIP – left axis) and net current account (CA – right axis)
as percentage of GDP
Sources: Data from Eurostat database (http://ec.europa.eu/eurostat/data/database).

It should be noticed that external wealth effect is not granted because of unexpected changes in international global economy. Lane (2013) and Feldstein (2011) noticed that many European countries after intro-

ducing a common currency underestimated international risk. There were massive capital flows from surplus to deficit countries (mainly to other members of the euro area) which contributed to stronger international position in such economies like Germany or Netherlands. Hobza and Zeugner (2014) documented the fast expansion in gross financial flows within the euro area prior to the financial crisis, which even outstripped the dynamic growth in financial flows with other partners, particularly in the boom up to 2007. Moreover, the authors claim that the surplus countries' net financial flows to the group of European countries amounted to round EUR 80 bn annually, corresponding to two-thirds of the latter's current account balance. It is interesting that the most important bilateral financial relationship in the euro area, in the years preceding the crisis, was that between Germany and Spain, the two countries with the largest surplus and deficit in nominal terms respectively (Hobza, Zeugner 2014). Feldstein (2011) named this mechanism of long-term financial assistance a "transfer union" among the European countries, whereas Hobza and Zeugner (2014) pointed out the "euro-bias" behaviour of the European investors as the source of risk. All these concepts confirmed that despite elimination of the currency fluctuations between monetary union economies the international risk is still valid.

4. PERSISTENT CURRENT ACCOUNT IMBALANCES AND A RESORT TO PROTECTIONISM

The global trade has been increasing significantly for two decades preceding the financial crisis largely due to liberalization processes which reduced trade barriers, however a big trade collapse during the financial crisis not only reduced dramatically volume of international trade but also bolstered a threat of introduction new protectionism measures. This reasoning is based on stylised facts which induce that protectionism is counter-cyclical. The aim of this part of the paper is to assess whether the studied countries with persistent current account surpluses became relatively more often affected by discriminatory actions.

Table 2 illustrates cumulative number of discrimination measures imposed against euro area economies and number of jurisdictions undertaken protectionist actions against specified euro zone partner affected. Similarly to the previous selection, the euro area countries have been classified according to the criteria referring to the scale and persistence of external disequilibria. The data on number of protectionist measures were taken from the last available Global Trade Alert statistics (2015) which since the outset of the last financial crisis have documented different sorts of protectionist measures in the world economies.

According to Global Trade Alert classification 'red' colour indicates the measures which almost certainly discriminate against foreign commercial interest. 'Amber' means the measure implemented which may indicate discrimination or announced and almost certainly involves discrimination against foreign commercial interest. Liberal or neutral measures are classified as 'green'. They involve liberalization or have been found not to be discriminatory.

As can be seen from the data presented in table 2, Germany tops the list of the euro zone countries the most often harmed by discrimination measures imposed by its trading partners. Among the euro area Germany was also ranked as second (following Belgium) as a target of discrimination actions undertaken by the bigger number of jurisdictions (93). The position of Netherlands, a euro zone country with the highest current account surplus to GDP, is also at the top of countries being affected by discrimination measures. Simple averages calculated for the two groups of countries suggest that the number of protectionist measures classified as discriminative ("red" or "amber") was bigger in surplus economies (average for "red measures" 860 and for "amber measures" 262) than in the group of deficit countries (average 731 for "red" and 220 for "amber measures"). Moreover, the number of jurisdictions imposing discriminatory measures against trade partners was also relatively higher in the case of the surplus countries (average 81) comparing to the deficit countries (average 71).

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Table 2

Euro area countries affected by protectionist measures

Euro zone economy		Number of measures affecting specified partner classified (green)	Number of measures affecting specified partner classified (amber)	Number of measures affecting specified partner classified (red)	Number of jurisdictions imposing red measures against specified partner affected
surplus countries	Germany	810	366	1250	93
	Netherlands	622	274	903	84
	Belgium	574	265	859	92
	Austria	428	216	673	72
	Finland	406	191	615	64
deficit countries	France	720	320	1104	88
	Italy	710	315	1091	83
	Spain	621	279	944	82
	Portugal	303	154	459	61
	Ireland	287	138	395	54
	Greece	214	116	393	60

Source: data from Global Trade Alert database, http://www.globaltradealert.org/site-statistics
(data achieved in September 2015).

It is worth to add that in the aftermaths of the global financial crisis and its consequence of great recession protectionist actions emerged not only against surplus countries but also against countries with persistent current account deficits: like France, Italy or Spain. However, the countries with big and persistent external surpluses seem to be more affected with discrimination trade measures. Besides the studied euro area economies, China appears to be a best example of a country with persistent current account surplus, which have been hit the most often by protectionism. [9]

CONCLUSIONS

The paper confirms that the surplus countries like Germany and Netherlands have accumulated big external surpluses on their current accounts. The scale of these external imbalances can be considered as excessive, especially when the persistence and evolution of other macroeconomic aggregates are considered. The article revealed that the current account surpluses in the two examined euro zone economies negatively correspond to consumption and domestic investment. The later despite holding back economic growth, may result in reduction of potential output which determines long-term growth. The former also implies reduction of current demand (due to intertemporal trade) and subdue economic growth. The weaknesses of demand driven by consumption and investment is particularly important given the prominent role of German and Dutch economies, and their spillover effect onto the rest of the euro area. Another observation is that the current account surpluses in Germany and Netherlands also compound with positive saving-investment gap, however domestic investment and national saving appeared increasingly uncorrelated (the end of Feldstein-

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[9]   According to Global Trade Alert statistics (2015) between 2008-2014 nearly half of the world's protectionism harms Chinese commercial interests.

Horioka puzzle). Moreover, the problem of persistent and excessive surpluses concerns huge foreign asset accumulation (mainly in other euro zone economies) and financial risk of losses of foreign assets. As the last financial crisis shown, excessive positive international investment position may cause macroeconomic risk of losing part of foreign wealth if foreigners were unable to repay their debts. In the case of Germany and Netherlands, the scale and dynamics of building up foreign assets revealed to be a risk-amplifying pattern. Thus, a problem of excessive foreign risk exposure is related to the scale and "euro-bias" character of foreign investment. Furthermore, the research on excessive current account surpluses in the context of the resort to protectionism indicates that among the euro area countries the two studied economies were ones of the most affected by protectionist actions. This observation can support a hypothesis that persistent current account surpluses may pose problem of discrimination actions introduced by trading partners with external deficits.

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