



The Korean case therefore illustrates two of our fundamental predictions regarding Euroglut: QE will accelerate it powerfully, but it will still take the rest of the decade to play out fully.

The Scandinavian economies similarly transformed themselves into net creditor nations in the 1990s. Denmark experienced a current account reversal in 1987 and has run large surpluses since. Denmark was considerably more indebted than the Eurozone by the time it consolidated its external account, with the NIIP standing at -50% of GDP, so the transition inevitably took longer than it will in the Eurozone. What is remarkable about Denmark's case, nevertheless, is that its NIIP has not stabilized since turning positive in 2009, despite exceeding 30% of GDP. As a small open economy, Denmark's surpluses are bound to be larger than the Eurozone's, but its adjustment supports our view that the euro area will continue to accumulate foreign assets until its NIIP reaches levels above 30% of GDP or so.

Finland is an interesting case study in that it illustrates that a small positive NIIP does not necessarily turn an economy into a mature creditor nation à la Japan. The country started its current account consolidation in 1993, following a severe banking crisis. The trajectory of its NIIP over the next two decades illustrates the importance of valuation effects. On joining the Euro at an overvalued rate, its net debt position deteriorated rapidly before stabilizing as the Euro depreciated. Since these initial hiccups, large current account surpluses gradually pulled Finland towards being a net creditor nation. Most interestingly, the recent reversal of the

