

Discussion of “Desirability of Competition in Currency of Invoicing” (Agarwal et. al)

Yao Amber Li

Department of Economics
Hong Kong University of Science and Technology

ABFER 13th Annual Conference
International Macroeconomics, Money and Banking
Singapore, 18-21 May 2026

Summary

Why this paper important

What the paper does

Comments and Discussion

Big-Picture Comment

Comment 1: Shock
Magnitudes

Comment 2: Event Timing

Comment 3: Invoicing
Currency vs Financing
Currency

Comment 4: Selection

Comment 5: Global Banks
Mechanism

Comment 6: Why the
Euro?

Minor Comments

Conclusion

Why I like the paper

Roadmap

Summary

Why this paper important
What the paper does

Comments and Discussion

Big-Picture Comment
Comment 1: Shock Magnitudes
Comment 2: Event Timing
Comment 3: Invoicing Currency vs Financing Currency
Comment 4: Selection
Comment 5: Global Banks Mechanism
Comment 6: Why the Euro?
Minor Comments

Conclusion

Why I like the paper

Discussion of
“Desirability of
Competition in
Currency of
Invoicing”

Yao Amber Li

Summary

Why this paper important
What the paper does

Comments and Discussion

Big-Picture Comment
Comment 1: Shock Magnitudes
Comment 2: Event Timing
Comment 3: Invoicing Currency vs Financing Currency
Comment 4: Selection
Comment 5: Global Banks Mechanism
Comment 6: Why the Euro?
Minor Comments

Conclusion

Why I like the paper

Why this is an important and timely paper

A very nice paper connecting three literature: dominant currency pricing, trade finance, and global banking.

- ▶ An ambitious question: When dollar finance becomes scarce, can firms switch away from dollar invoicing, and does this matter for real trade outcomes?
 - ▶ Are the dollar's twin dominant roles— dollar invoicing and dollar financing—**causally** linked?
 - ▶ Gopinath–Stein (2021) theorize complementarity; this paper is the first to test the *direction* empirically.
- ▶ Beautiful identification setting.
 - ▶ Taper Tantrum shock + 3.7 million transaction-level Indian invoicing records + within firm \times product \times time variation across exporting partners.
 - ▶ The DiD compares the same firm importing the same product in the same month from two countries with differential USD credit shocks.

Discussion of
“Desirability of
Competition in
Currency of
Invoicing”

Yao Amber Li

Summary

Why this paper important

What the paper does

Comments and Discussion

Big-Picture Comment

Comment 1: Shock Magnitudes

Comment 2: Event Timing

Comment 3: Invoicing Currency vs Financing Currency

Comment 4: Selection

Comment 5: Global Banks Mechanism

Comment 6: Why the Euro?

Minor Comments

Conclusion

Why I like the paper

Why this is an important and timely paper (cont.)

- ▶ A genuinely new channel: the **dollar invoicing channel**.
 - ▶ Rigidity in invoicing currency \times credit shock = amplified trade losses. Conceptually clean, operates *over and above* the well-known trade-finance channel.
- ▶ Mechanism evidence is internally consistent.
 - ▶ Bank-to-bank USD credit moves invoicing
 - ▶ Bank-to-non-financial and non-USD credit do not.
 - ▶ Substitute is the euro, even for non-EU partners.
 - ▶ Global banks dampen both effects.
- ▶ Policy relevance is exceptionally high right now.
 - ▶ Saudi petrodollar
 - ▶ RMB internationalization
 - ▶ BRICS payment systems
 - ▶ This is the first firm-level evidence on how invoicing responds to USD funding stress.

Summary

Why this paper important

What the paper does

Comments and Discussion

Big-Picture Comment

Comment 1: Shock Magnitudes

Comment 2: Event Timing

Comment 3: Invoicing Currency vs Financing Currency

Comment 4: Selection

Comment 5: Global Banks Mechanism

Comment 6: Why the Euro?

Minor Comments

Conclusion

Why I like the paper

What the Paper Does

The paper asks

What happens to trade invoicing when dollar finance becomes scarce?

- ▶ Indian import transactions, 2012–2014
- ▶ Taper tantrum as a shock to cross-border dollar credit
- ▶ Cross-country variation in the decline of bank-to-bank dollar credit

Key empirical comparison and identification

For the same importer-product-month, compare imports from exporter countries hit by different dollar-credit shocks.

Summary

Why this paper important

What the paper does

Comments and Discussion

Big-Picture Comment

Comment 1: Shock Magnitudes

Comment 2: Event Timing

Comment 3: Invoicing Currency vs Financing Currency

Comment 4: Selection

Comment 5: Global Banks Mechanism

Comment 6: Why the Euro?

Minor Comments

Conclusion

Why I like the paper

Summary

Summary of Key Results

Dollar dominance is not only a pricing convention. It is supported by dollar trade finance.

When dollar finance tightens:

- ▶ Flexible firms switch away from dollar invoicing
- ▶ Less flexible firms remain locked into dollars
- ▶ Locked-in firms suffer larger real trade losses

Summary

Why this paper important

What the paper does

Comments and Discussion

Big-Picture Comment

Comment 1: Shock Magnitudes

Comment 2: Event Timing

Comment 3: Invoicing Currency vs Financing Currency

Comment 4: Selection

Comment 5: Global Banks Mechanism

Comment 6: Why the Euro?

Minor Comments

Conclusion

Why I like the paper

Main Findings

1. Dollar-credit shocks reduce dollar invoicing.
2. The euro is the main substitute currency for Indian importers.
3. Trade losses are concentrated among firms with high ex-ante dollarization or low invoicing flexibility.
4. Global banks help cushion the shock by supporting alternative-currency invoicing.

Big takeaway

Invoicing flexibility acts as insurance/hedging mechanism when dollar finance becomes scarce.

Summary

Why this paper important

What the paper does

Comments and Discussion

Big-Picture Comment

Comment 1: Shock
Magnitudes

Comment 2: Event Timing

Comment 3: Invoicing
Currency vs Financing
Currency

Comment 4: Selection

Comment 5: Global Banks
Mechanism

Comment 6: Why the
Euro?

Minor Comments

Conclusion

Why I like the paper

Roadmap

Summary

Why this paper important

What the paper does

Comments and Discussion

Big-Picture Comment

Comment 1: Shock Magnitudes

Comment 2: Event Timing

Comment 3: Invoicing Currency vs Financing Currency

Comment 4: Selection

Comment 5: Global Banks Mechanism

Comment 6: Why the Euro?

Minor Comments

Conclusion

Why I like the paper

Discussion of
“Desirability of
Competition in
Currency of
Invoicing”

Yao Amber Li

Summary

Why this paper important

What the paper does

Comments and Discussion

Big-Picture Comment

Comment 1: Shock Magnitudes

Comment 2: Event Timing

Comment 3: Invoicing Currency vs Financing Currency

Comment 4: Selection

Comment 5: Global Banks Mechanism

Comment 6: Why the Euro?

Minor Comments

Conclusion

Why I like the paper

Big-Picture Comment: What Does “Desirability” Mean?

The title makes a welfare claim

“Desirability of competition” suggests that currency competition is welfare-improving.

What the paper currently shows

Invoicing flexibility helps firms absorb dollar-finance shocks.

Benefits

- ▶ Resilience
- ▶ Lower exit probability
- ▶ Better trade continuity

Costs

- ▶ Hedging costs
- ▶ Transaction costs
- ▶ Contracting frictions
- ▶ Price dispersion
- ▶ Pass-through implications

Summary

Why this paper important

What the paper does

Comments and Discussion

Big-Picture Comment

Comment 1: Shock Magnitudes

Comment 2: Event Timing

Comment 3: Invoicing Currency vs Financing Currency

Comment 4: Selection

Comment 5: Global Banks Mechanism

Comment 6: Why the Euro?

Minor Comments

Conclusion

Why I like the paper

Comment 1: Clarify Shock Magnitudes and Ask More of the Numbers

Issue

The economic magnitude is central, but the unit of the shock could be made clearer.

Current headline

1 pp larger dollar-credit shock leads to about 7.3 pp lower dollar invoicing.

Suggested reporting

- ▶ One-standard-deviation shock
- ▶ Interquartile-range shock
- ▶ 10% decline in dollar credit
- ▶ Mean effect for treated countries
- ▶ **Permanent vs transitory?**

Summary

Why this paper important

What the paper does

Comments and Discussion

Big-Picture Comment

Comment 1: Shock Magnitudes

Comment 2: Event Timing

Comment 3: Invoicing
Currency vs Financing
Currency

Comment 4: Selection

Comment 5: Global Banks
Mechanism

Comment 6: Why the
Euro?

Minor Comments

Conclusion

Why I like the paper

Comment 2: Sharpen Event Timing

The taper tantrum is mainly an expectations shock before actual tapering

Suggested timeline

- ▶ May 2013: taper signal
- ▶ Summer 2013: tightening in global financial conditions
- ▶ September 2013: no-taper surprise
- ▶ December 2013: actual reduction in asset purchases

Suggestion: distinguish

- ▶ Expectation shock
- ▶ Financial tightening
- ▶ Actual policy implementation

Why this matters

It strengthens the causal narrative.

Summary

Why this paper important

What the paper does

Comments and Discussion

Big-Picture Comment

Comment 1: Shock
Magnitudes

Comment 2: Event Timing

Comment 3: Invoicing
Currency vs Financing
Currency

Comment 4: Selection

Comment 5: Global Banks
Mechanism

Comment 6: Why the
Euro?

Minor Comments

Conclusion

Why I like the paper

Comment 3: Invoicing Currency vs Financing Currency

The core mechanism is plausible, but partly inferred.
Whose credit tightened?

Main question

Do firms switch invoice currency because their financing currency changes?

Useful additional evidence

- ▶ Letters of credit or payment terms
- ▶ Importer-bank relationships
- ▶ Bank-level foreign-currency liquidity
- ▶ Currency hedging costs
- ▶ USD basis or CIP deviations
- ▶ Trade-finance dependence heterogeneity

Summary

Why this paper important
What the paper does

Comments and Discussion

Big-Picture Comment

Comment 1: Shock Magnitudes

Comment 2: Event Timing

Comment 3: Invoicing Currency vs Financing Currency

Comment 4: Selection

Comment 5: Global Banks Mechanism

Comment 6: Why the Euro?

Minor Comments

Conclusion

Why I like the paper

Comment 4: Selection into the Invoicing Sample

The invoice-currency sample is valuable but partial

The authors state that the main sample and invoicing sample are consistent with Indian imports in terms of commodities and exporting partners.

Potential concern: observed invoice currency may still be non-random across

- ▶ Firms; products; ports; countries; transaction types

Suggested checks

- ▶ Full sample vs invoicing sample balance table
- ▶ Probability of observing invoice currency
- ▶ Inverse-probability-weighted regressions
- ▶ Common-support sample
- ▶ Robustness by firm size, product type, and source country

Summary

Why this paper important

What the paper does

Comments and Discussion

Big-Picture Comment

Comment 1: Shock Magnitudes

Comment 2: Event Timing

Comment 3: Invoicing Currency vs Financing Currency

Comment 4: Selection

Comment 5: Global Banks Mechanism

Comment 6: Why the Euro?

Minor Comments

Conclusion

Why I like the paper

Comment 5: Global Banks Mechanism

Current proxy

Exporter-country bank presence in India.

Potential concern: this may also capture

- ▶ Richer source countries; stronger trade relationships
- ▶ Better contracting environments; larger or more sophisticated importers
- ▶ Easier access to euro invoicing

Suggested extensions

- ▶ Actual importer-bank links
- ▶ Bank nationality and currency funding capacity
- ▶ European vs US vs Asian banks
- ▶ Historical foreign-bank presence
- ▶ Branch-level or correspondent-bank data
- ▶ Interaction with euro invoicing capacity

Summary

Why this paper important
What the paper does

Comments and Discussion

Big-Picture Comment

Comment 1: Shock
Magnitudes

Comment 2: Event Timing

Comment 3: Invoicing
Currency vs Financing
Currency

Comment 4: Selection

**Comment 5: Global Banks
Mechanism**

Comment 6: Why the
Euro?

Minor Comments

Conclusion

Why I like the paper

Comment 6: Substitution Pattern—Why the Euro?

The main substitute is the euro

- ▶ INR increases modestly.
- ▶ Euro captures most of the decline in dollar invoicing.
- ▶ Euro invoicing rises even for non-EU trading partners.
- ▶ Little evidence of switching to JPY, GBP, or producer currency.

Key question

Why the euro?

Possible mechanisms

- ▶ Financing availability; exporter acceptance; existing banking relationships
- ▶ Contract renegotiation; multi-currency bank capacity

Summary

Why this paper important

What the paper does

Comments and Discussion

Big-Picture Comment

Comment 1: Shock Magnitudes

Comment 2: Event Timing

Comment 3: Invoicing Currency vs Financing Currency

Comment 4: Selection

Comment 5: Global Banks Mechanism

Comment 6: Why the Euro?

Minor Comments

Conclusion

Why I like the paper

Additional robustness checks

- ▶ Use HS4, HS6, or HS8 product definitions.
- ▶ Exclude oil, gold, precious metals, and reference-priced commodities.
- ▶ Report wild-cluster bootstrap or randomization inference.
- ▶ Add event studies for euro invoicing and trade exit.
- ▶ Show transition matrix: USD to EUR, INR, producer currency, or exit.
- ▶ Use leave-one-out dollarization measures.

Summary

Why this paper important
What the paper does

Comments and Discussion

Big-Picture Comment

Comment 1: Shock Magnitudes

Comment 2: Event Timing

Comment 3: Invoicing Currency vs Financing Currency

Comment 4: Selection

Comment 5: Global Banks Mechanism

Comment 6: Why the Euro?

Minor Comments

Conclusion

Why I like the paper

Roadmap

Summary

Why this paper important
What the paper does

Comments and Discussion

Big-Picture Comment
Comment 1: Shock Magnitudes
Comment 2: Event Timing
Comment 3: Invoicing Currency vs Financing Currency
Comment 4: Selection
Comment 5: Global Banks Mechanism
Comment 6: Why the Euro?
Minor Comments

Conclusion

Why I like the paper

Discussion of
“Desirability of
Competition in
Currency of
Invoicing”

Yao Amber Li

Summary

Why this paper important
What the paper does

Comments and Discussion

Big-Picture Comment
Comment 1: Shock Magnitudes
Comment 2: Event Timing
Comment 3: Invoicing Currency vs Financing Currency
Comment 4: Selection
Comment 5: Global Banks Mechanism
Comment 6: Why the Euro?
Minor Comments

Conclusion

Why I like the paper

Conclusion

Overall assessment

This is a creative, important, and inspiring paper.

Main contribution

The paper provides causal micro evidence that dollar-finance shocks affect invoicing-currency choice, and that invoicing rigidity amplifies real trade losses.

Takeaway

Currency competition in invoicing may be valuable not because firms dislike the dollar, but because flexibility provides insurance when dollar finance becomes scarce.

Summary

Why this paper important

What the paper does

Comments and Discussion

Big-Picture Comment

Comment 1: Shock
Magnitudes

Comment 2: Event Timing

Comment 3: Invoicing
Currency vs Financing
Currency

Comment 4: Selection

Comment 5: Global Banks
Mechanism

Comment 6: Why the
Euro?

Minor Comments

Conclusion

Why I like the paper

Why I Like the Paper

- ▶ **The question is important.** The dollar dominates both global finance and trade invoicing.
- ▶ **The setting is compelling.** The taper tantrum provides a useful dollar-finance shock.
- ▶ **The data are unusually rich.** The paper observes transaction-level imports and invoice currency.
- ▶ **The paper speaks to several audiences.** International macro, banking, international finance, and trade.
- ▶ **The paper contributes to multiple literature.** Dominant currency theory; Invoicing choice; Monetary policy spillovers; Trade finance and banking.

Discussion of
“Desirability of
Competition in
Currency of
Invoicing”

Yao Amber Li

Summary

Why this paper important

What the paper does

Comments and Discussion

Big-Picture Comment

Comment 1: Shock Magnitudes

Comment 2: Event Timing

Comment 3: Invoicing Currency vs Financing Currency

Comment 4: Selection

Comment 5: Global Banks Mechanism

Comment 6: Why the Euro?

Minor Comments

Conclusion

Why I like the paper