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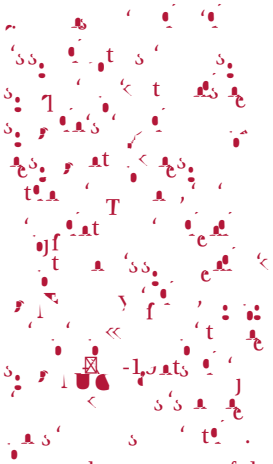


e authors are grateful to Aliénor Cameron and Youssef Salib for excellent research assistance.

ey also thank their research peers for their input.

1 Introduction

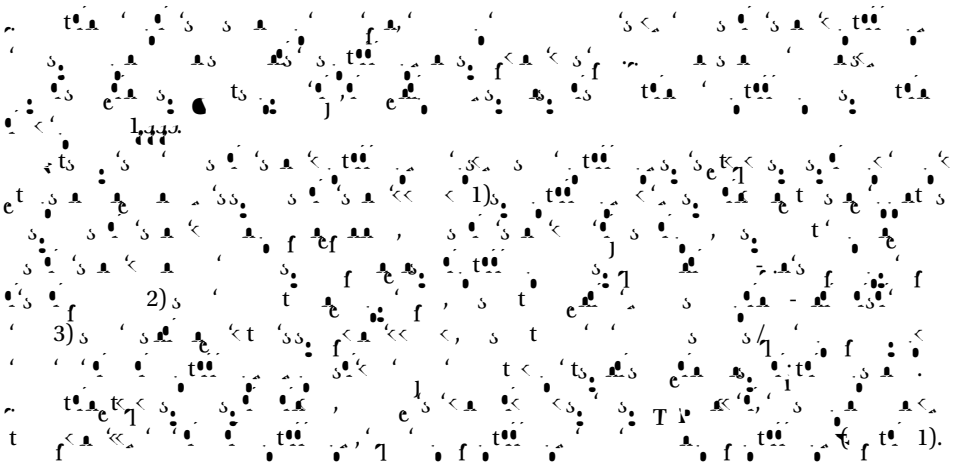


Figure 1: International functions of the euro

Sources: Bruegel based on IMF (panel 1), ECB (panels 2 to 4). Note: in panel 2, international debt securities are defined as securities issued in a currency other than that of the country in which the borrower resides.

2 Determinants of global currenc status and prospects for the euro

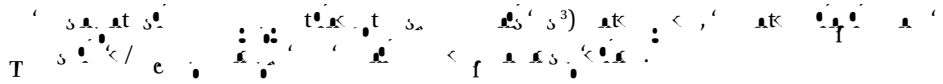
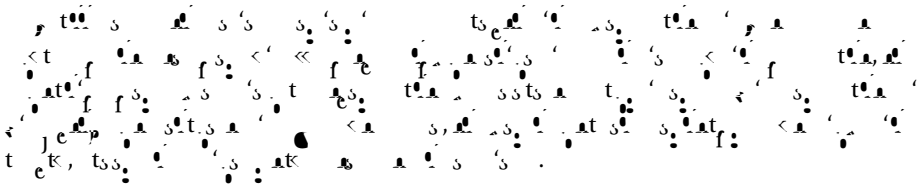
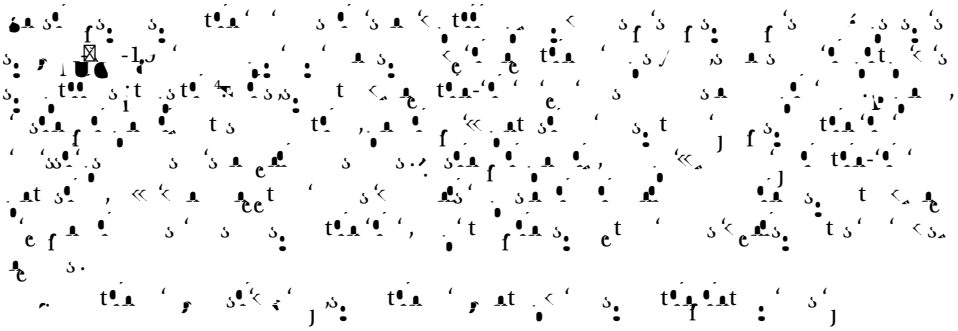


Figure 3: Suppl of safe assets from the euro-area (billions)

Source: Bruegel based on Bloomberg for bonds issued by EFSF, EU, ESM and EIB, S&P for credit ratings and Eurostat for government debt securities. Note: includes bonds issued by the 19 euro-area countries, the European Financial Stability Facility, the European Union, the Europ ean Stability Mechanism and the European Investment Bank.

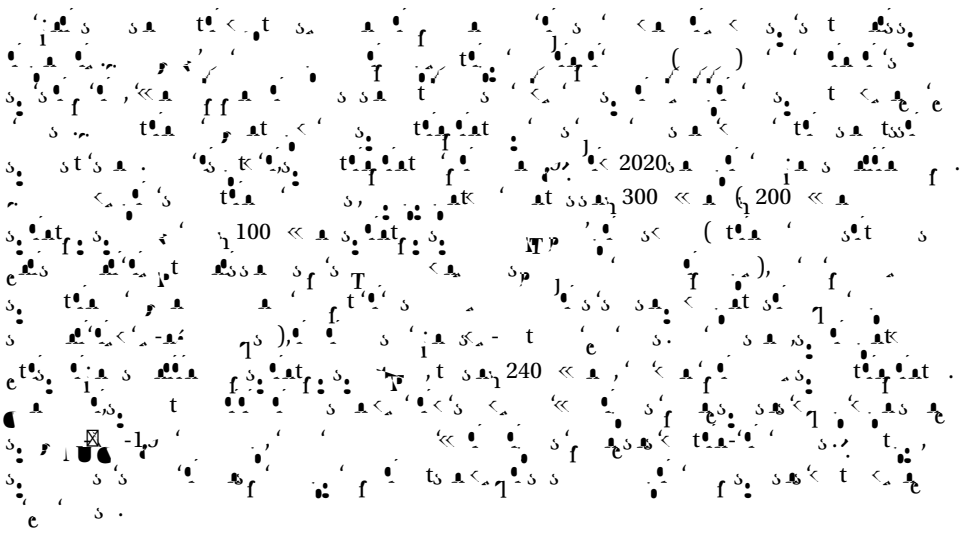


3 Promoting the euro in the midst of the COVID-19 crisis: increasing the suppl of safe assets



3 In the COVID-19 crisis, the European Central Bank has played this role and has provided euros through swap lines to the Danish Central Bank since 20 March 2020, to the Croatian central bank since 15 April and to Bulgaria's central bank since 22 April.

4 Of course, it is important to highlight that these two steps are necessary, but not su cient. Other steps are needed to transform the euro into a truly dominant currency, such as completing the banking union and making progress in building a capital markets union. In this paper, we focus on the steps that are most relevant currently during the pandemic.



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