

ABSTRACT

THE EURO AS AN INTERNATIONAL CURRENCY: CURRENT PROSPECTS AND EVIDENCE FROM THE ANCHOR CURRENCY CHOICE DISTRIBUTION

At present time, the euro is largely a regional currency. It has a limited potential to achieve parity with the dollar in areas such as international debt financing, foreign exchange reserves, and international trade invoicing. Inertia and network externalities will make it difficult for the euro to unseat the US dollar. Empirical evidence confirms the regional character of the de facto euro zone and the global reach of the dollar zone. The euro's advance as an anchor currency is impeded mainly by network externalities of the dollar and weak trade between a particular region and Euroland.

Timur Tasbulatov
December 2006