



International role of the euro

**and EU strategy to foster Openness,
Strength and Resilience of the European
Economic and Financial System**

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Background

- **International context: new and rising challenges**
 - Unilateral actions by 3rd countries vs multilateralism
 - Renewed US engagement with its partners is welcome but this should not discourage us from making our economic and financial system stronger and more resilient.
 - China's assertiveness on the international stage
 - Withdrawal of UK from the Union
- **Global currencies' regime not enough diversified**
 - International financial system and economy overly dependent on USD
 - Transaction and hedging costs, financial-stability risks
- **COVID-19 crisis emphasised vulnerabilities**
 - Dependence of critical value chains and services on foreign operators/currencies

EU Openness, Strength and Resilience strategy

- **The EU is and remains open, and committed to multilateralism**
 - See for example Communications on EU/US relations or multilateralism
- Due to geopolitical and global economic shifts, EU has to foster strength and resilience of its economy and financial sector to continue fully enjoying benefits of openness
- The EU strategy is structured under three pillars:
 - I. strengthen the **international role of the euro**;
 - II. further **develop EU financial market infrastructures and increasing their resilience**;
 - III. further promote the **implementation of the EU's sanctions and stem extraterritorial sanctions of third countries**.

I. Strategy for a stronger role of the euro

Strengthening the Economic and Monetary Union

Completing the missing pieces of the Banking Union

Further advancing on the Capital Markets Union

Fostering digital and green finance

Promoting a wider use and the attractiveness of the euro in trade and finance

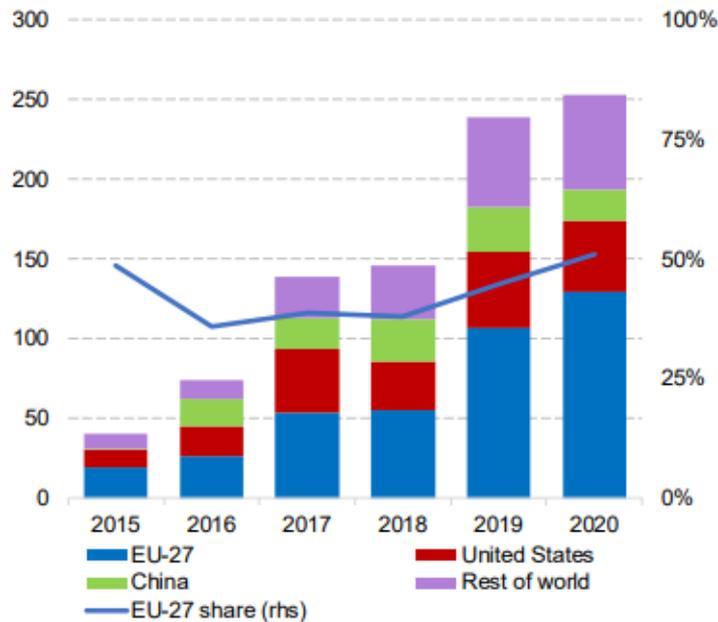
Outreach to third countries

Next Generation EU in support of the international role of the euro

- Between now and end-2026, the Commission will issue up to **EUR 800 billion of euro-denominated bonds** as part of the EU's response to the COVID-19 crisis.
- This will translate into borrowing volumes of roughly **EUR 150 billion per year** on average.
- Objective to issue **30% as green bonds**.
- The **Recovery and Resilience Facility** is its key element.
- This significant amount of new euro-denominated highly-rated financial assets will add **liquidity and depth to EU capital markets** and will lay basis for **further EMU integration**.
- It will allow international investors to further **diversify portfolios and risk** and will increase trust in the single currency.

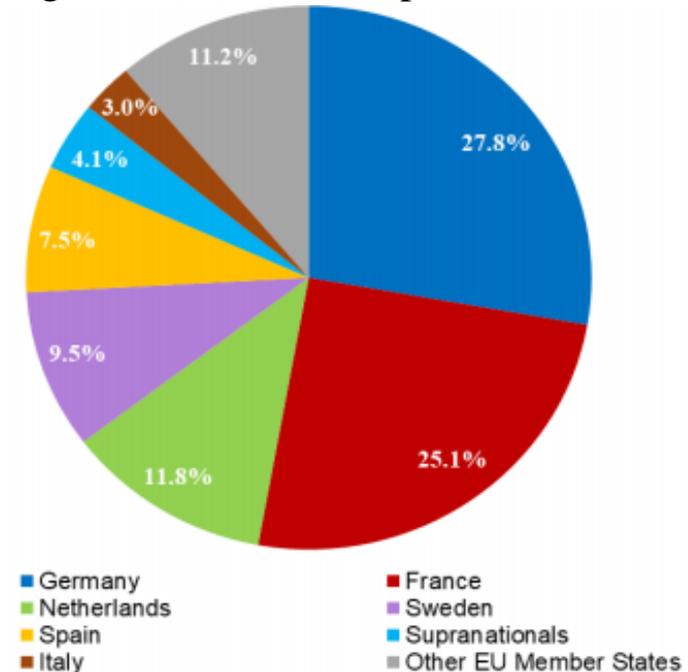
Leading role of the euro in the green transition

Global green bond issuance



Source: Climate Bonds Initiative. DG FISMA calculations.
 Note: Issuance figures in EUR billion (lhs). EU-27 share based on issuance size relative to global issuance (rhs).

EU green bond issuance per MS



Source: Climate Bonds Initiative. DG FISMA calculations.
 Note: Market share is based on issuance size in 2020.

The EU role as a global hub for green finance will further strengthen the euro as the currency of choice for sustainable financial products, bolstering its international role

The digital euro project

- The Commission supports the **digital euro project**.
- This is not only a technical endeavour but it has potentially **far-reaching systemic and policy implications**.
- **Technical work is ongoing.**
 - The Commission and ECB assess at technical level the impact and interaction of a digital euro with payment systems, financial inclusion, AML/CFT, data protection, financial intermediation and innovation, the international role of the euro and more broadly the EU's strategic autonomy and financial stability.
- Given the challenges and wide scale impact, **an ambitious, but also cautious and balanced approach is required**.

The euro in energy markets

- **Most (90%) of oil imports stay denominated in USD**
- **Good progress in gas markets:**
 - The share of euro-denominated EU gas imports rose from 38% in 2018 to 67% in 2020.
 - Trade activity on European most liquid gas hubs also increased
- In more nascent markets, the **development of green hydrogen** is good not only for climate but also for the EU economy, for EU's strategic autonomy and potentially in the future for a stronger international role of the euro
- **Continuous dialogue with the industry and with international partners** on further possible measures

II. Other elements of the strategy – Financial-market infrastructure -

- **Work to further develop EU financial-market infrastructures (FMIs) and increase their resilience**
 - Facilitate the transfer of euro-denominated contracts to EU-based CCPs (dedicated working group)
 - Assess dependence on non-EU financial service providers and on foreign currency funding (EBA study)
 - Assess vulnerabilities of FMIs to third-country extraterritorial sanctions and take remediating action if needed
 - Explore options to ensure an uninterrupted flow of essential financial services between the EU and third countries (Commission study)

III. Other elements of the strategy

- Sanctions -

- **Better implement and enforce EU sanctions, and address extraterritorial sanctions of third countries**
 - uniform implementation of EU sanctions (monitoring, support, enforcement)
 - international cooperation and convergence on sanctions
 - sharper EU tools to deter and counter extra-territorial sanctions by third countries

Conclusions and next steps

- The Commission's strategy is part of the broader plan of the EU's **open strategic autonomy**.
- It is based on **a broad set of mutually reinforcing actions** fostering a more resilient and strong EU financial system, open to the rest of the world, but capable to resist unfair practices by third countries and less vulnerable to external shocks.
- The **timeframe of implementation spans several years** so results will only be visible in the medium/long-term.
- We will monitor implementation and effectiveness. We will make policy adjustments, as necessary.

Further info

- Communication on the International Role of the Euro (December 2018):
https://ec.europa.eu/info/files/communication-towards-stronger-international-role-euro_en
- Communication on fostering openness, strength and resilience of the European economic and financial system (January 2021):
https://ec.europa.eu/info/publications/210119-economic-financial-system-communication_en
- European Central Bank: The international role of the euro (June 2021)
<https://www.ecb.europa.eu/pub/ire/html/ecb.ire202106~a058f84c61.en.html>