

LONDON, THE EURO AND THE INTERNATIONAL ROLE OF THE EUROPEAN FINANCIAL SYSTEM

Iain Begg

European Institute & Dahrendorf Forum
London School of Economics and Political Science
[@IainBeggLSE](https://twitter.com/IainBeggLSE)

THREE CORE QUESTIONS

- Is there a common European interest in a more extensive international role in finance?
 - While sufficiently respecting national preferences
- What can (or should) be done for Europe to become a more powerful global finance actor?
 - Rationale, methods, feasibility and enabling conditions
 - By when?
- How does Brexit affect these aspirations and can its consequences be optimally managed?

THE BREXIT REGULATORY QUANDARY

LIKELY END OF
PASSPORTING

BUSINESS
AND
FINANCE

AMBIGUITY
ABOUT NATURE
OF EQUIVALENCE

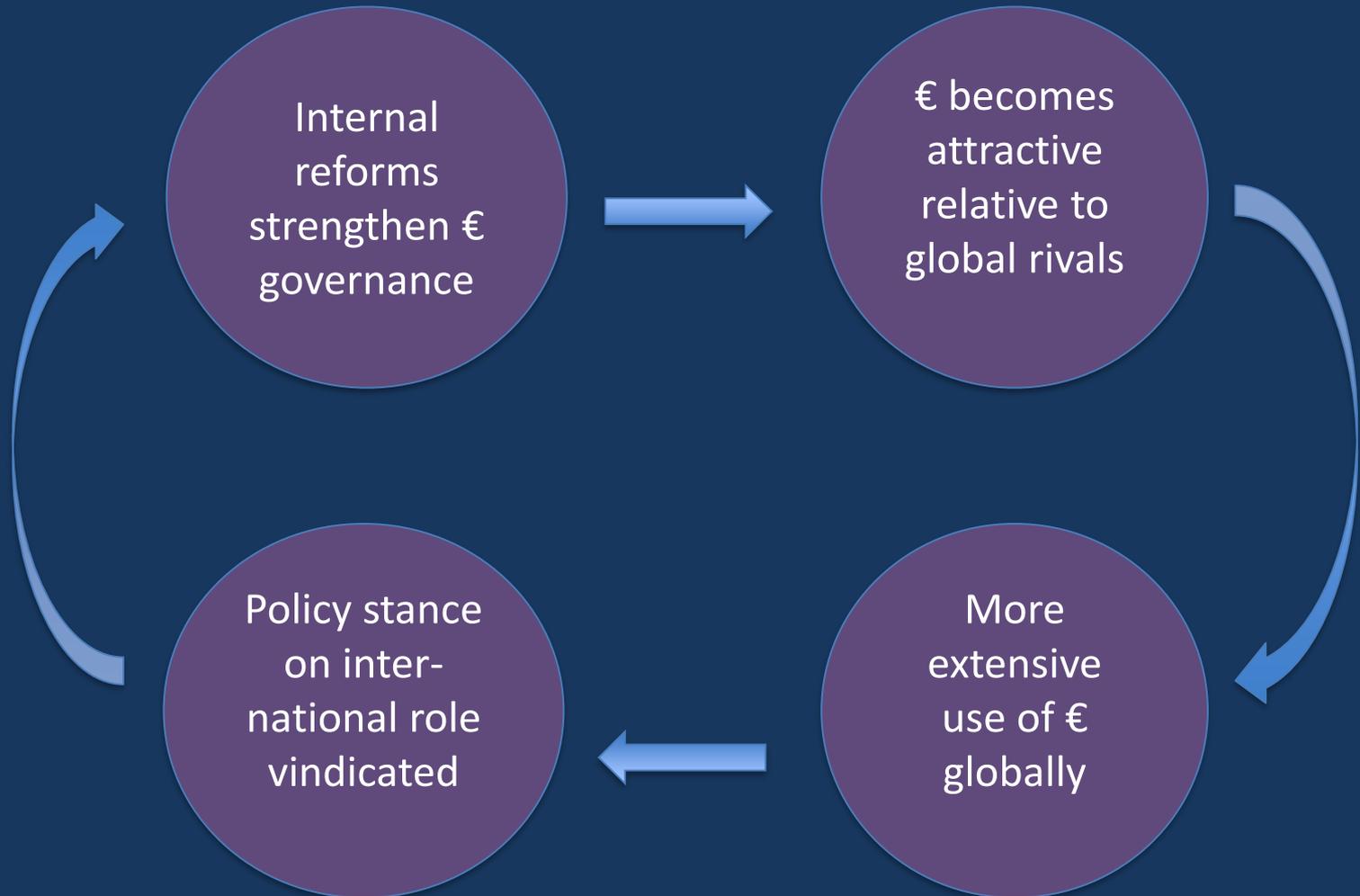
EMERGING
INTERNATIONAL
OBLIGATIONS

OVERLAID BY LONDON'S DISTINCTIVE CAPABILITIES AS FINANCIAL CENTRE

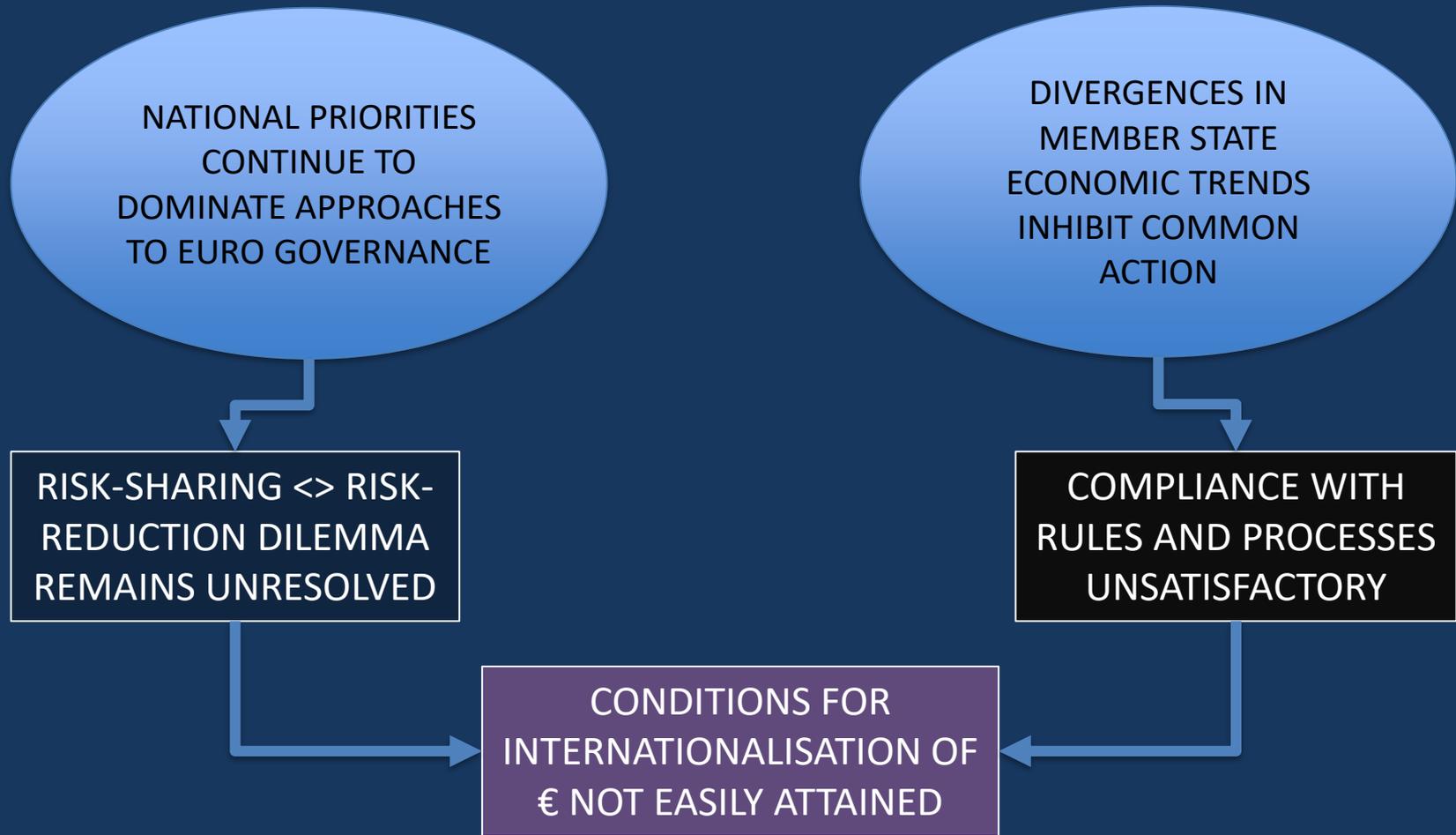
INTERNATIONALISING THE €URO

- Rationale of countering dollar dominance
 - Euro distant second as reserve currency
 - Negligible in invoicing and as transaction currency
- Shift of tone from Commission and ECB
- Needs prior completion of EMU and MS push
 - Banking union; fiscal stabilisation; maybe also CMU
 - Creation of safe asset
- Likely resistance from US, Chinese competition
- Costs of global obligations prone to be ignored

TOWARDS A GLOBAL ROLE: IDEAL WAY



...BUT POTENTIAL FOR INCOHERENCE



POSSIBLE INFLUENCE OF GDPR

GDPR

- EU as global leader
- Forces others to comply

DATA CONCERNS

- Threats to privacy
- Secondary sanctions
- Power of US tech firms
- Breaches of security
- Tyranny of algorithms

IMPLICATIONS FOR FINANCE

- EU as standard setter
 - Applies European norms
- Extends influence on data
 - Protects users
 - Offsets corporate power
- Impetus to EU providers
 - Competitive advantage?
 - Underpins ICT/AI sectors

CONCLUDING COMMENTS

- The political economy of reaching agreement
 - What are most pressing concerns of policy-makers?
 - How to resolve national differences
- Expectations (or aspirations) <> capability gap
 - U vd Leyen ambitions for a geo-political Commission
 - Think of trickiness of banking union, let alone fiscal union
- Distinctive stakeholder priorities
 - Partly reflected in national preferences positions
- Co-habitation with the City: good for the EU?

“To support our economic sovereignty, I want you to develop proposals to ensure Europe is more resilient to extraterritorial sanctions by third countries”

Ursula von der Leyen, *Mission Letter to
Valdis Dombrovskis*