

From dollar dominance to a multi-currency system

The euro's role in reshaping the international monetary order

The international monetary and financial system (IMFS) is undergoing a gradual but significant transformation in an increasingly uncertain geopolitical and economic environment. In this context, discussions within the European Union on strengthening the international role of the euro have gained renewed urgency. This policy brief argues that the EU should seize this “Global Euro Moment” not by seeking to replace the US dollar, but by adopting a more balanced strategy: strengthening the euro's international role while supporting the transition towards a more stable, equitable, and resilient multi-currency system. It also sets out concrete policy recommendations to advance this approach.

A changing international monetary landscape

History shows that transformations in the International Monetary and Financial System (IMFS) can take a long time to materialise. However, several ongoing developments point to a gradual structural shift driven by three major movements¹:

- The emergence of **new economic and geopolitical powers**, notably China, reshaping the global economic landscape.
- Growing geopolitical tensions among global powers, alongside growing concerns about the potential **weaponisation of currencies and financial infrastructures**, particularly by the United States (US)
- A rising willingness among some countries to individually or concertedly **reduce their reliance on the U.S. dollar**. Declining confidence in US fiscal and monetary management, particularly due to policy decisions that have weakened trust in the dollar as a global safe haven, has encouraged both public and private actors to diversify their reserve assets.

A further layer of transformation in the monetary sphere is being introduced by the **digitalisation of assets and currencies**. The US is seeking to leverage this process to reinforce the dollar's global dominance, notably by promoting the adoption of US-backed stablecoins worldwide². At the same time, other jurisdictions are advancing alternative strategies. The European Union (EU), through the European Central Bank (ECB), and China, through the People's Bank of China, are developing Central Bank Digital Currencies (CBDCs) aimed at strengthening monetary sovereignty in the face of continued dollar dominance.

Against this backdrop, discussions on the internationalisation of the euro have gained momentum within the EU over the past year. Top officials and political leaders have increasingly called for **strengthening the euro's global role within the IMFS** to shield the EU from external pressures, while consolidating trade and financial relations and improving economic conditions for EU businesses.

Nonetheless, Donald Trump has consistently signalled that his administration will actively **defend US dollar hegemony**. In a [statement in July 2025](#), he said: “Losing the dollar dominance is like losing a major World War. We won't let that happen”.

¹ De Conti, B. (2025). [The BRICS initiatives for the transformation of the International Monetary and Financial System](#). *Transforma Economia UNICAMP*, Economic Policy Brief, n. 15.

² Van't Klooster, J.; Martino, E.; Monnet, E. [Cryptomercantilism vs. Monetary Sovereignty-Dealing with the Challenge of US Stablecoins for the EU](#). European Parliament, ECON Committee, Monetary Dialogue Papers, June 2025. Accessed on: March 16, 2026.

The international context is therefore characterised by a **high degree of uncertainty**, particularly regarding potential US responses to ongoing de-dollarisation efforts by certain countries and groups (such as the BRICS) as well as to broader strategies aimed at strengthening the global role of alternative currencies.

A shift in EU strategy?

Against this backdrop, EU institutions, particularly the European Council and the ECB, are reassessing the EU's strategy within the IMFS and the role they should play in shaping and advancing it. This is a very relevant move.

The **internationalisation of a currency is not a spontaneous market outcome**. Instead it is the result of a combination of structural and political factors. These include the size and global integration of the issuing economy; its geopolitical, including military, power; the depth and relevance of its capital markets; and, crucially, the political will and policy choices of governments, typically in coordination with central banks³. For instance, historical evidence shows that the dominance of the US dollar has been actively pursued and sustained through deliberate US policy choices⁴.

From this perspective, a **stronger role for the euro cannot be achieved passively**, it requires sustained political commitment and coordinated policy action. While EU institutions have increasingly recognised this, progress has so far been uneven. The 2018 European Commission strategy to enhance the euro's international role remained largely underprioritised in a relatively stable geopolitical context, illustrating the gap between its stated ambitions and the actual policy follow-through.

Recent developments, however, have injected new urgency into this agenda. In June 2025, EU leaders called on the Council, Commission and ECB to step up efforts to strengthen the euro as both a reserve and transaction currency⁵. This shift signals a growing awareness that the **euro's global role must be actively supported through a coherent strategy**. Reported measures, ranging from boosting economic growth, to deepening capital markets and payment systems via the Savings and Investment Union and the digital euro, and strengthening the EU's external dimension through defence, trade diversification and incentives for euro-denominated invoicing, point in this direction.

In parallel, the ECB has also begun to shift its long-standing position. For decades, it maintained that the international role of currencies is primarily market-driven, with the central bank's role limited to ensuring price stability. However, recent statements by Christine Lagarde suggest an evolution in this stance. In a speech in Berlin in June 2025, she referred to a **"global euro moment"** and indicated that the ECB, alongside other EU institutions, should actively contribute to strengthening the euro's international role⁶.

Yet, despite these important developments, a crucial question remains insufficiently addressed: **what kind of international monetary system does the EU ultimately seek to promote?** Without a clear answer, policy initiatives risk remaining fragmented, reactive, or even internally inconsistent.

³ Adapted from De Conti, B. (2011). Les politiques de change et monétaire: les dilemmes affrontés par des pays à monnaies périphériques. Thesis (PhD). University Paris 13 and University of Campinas; De Conti, B. (2025), *ibid*.

⁴ For instance, the US positions in the Bretton Woods Conference, Volcker's strong dollar policy in 1979, US position in the Plaza and Louvre Agreements in the 1980s

⁵ [European Council](#), 25 June 2025. Accessed on: March 23, 2026.

⁶ Lagarde, C. (2025) [Earning influence: lessons from the history of international currencies](#). Speech by Christine Lagarde at an event organised by Jacques Delors Centre at Hertie School in Berlin, Germany. Berlin. Accessed on: March 16, 2026; Lagarde, C. (2025). [Europe's "global euro" moment](#). The ECB Blog, 17 June 2025. Accessed on: March 16, 2026.

Key policy questions for the EU

The **European Parliament's forthcoming own-initiative report** offers an opportunity to bring greater clarity to this debate by exploring the implications of a stronger international euro for the IMFS and the EU's international relations and values. Several key points deserve particular attention.

- 01 Internationalisation vs. key-currency:** Increasing the international role of a currency does not necessarily mean replacing the US dollar as the key-currency of the world. Some countries, notably China, have actively promoted their currencies internationally while avoiding explicit claims to global monetary leadership. In this context, the European Parliament should reflect on whether the EU should aim to expand the euro's role within a plural system or to compete directly for global dominance. This decision is crucial, because strategies may be different depending on what the aspiration is.
- 02 Euro-centred IMFS vs. multi-currency IMFS:** Research shows that an IMFS dominated by a single national currency creates structural asymmetries: the issuing country benefits from an "exorbitant privilege," while others, especially in the Global South, bear a "compulsory burden"⁷. As demonstrated by the case of dollar dominance, this burden is often reflected in higher exchange rate volatility, higher interest rates, and reduced policy space⁸. A multi-currency system, by contrast, could distribute power more evenly and expand policy space across countries. The European Parliament should therefore assess whether to promote a euro-centred or a multi-currency IMFS, explicitly weighing the trade-offs of each model for both EU citizens and the global community.
- 03 Greening the IMFS:** Research indicates that the current IMFS contributes to ecological degradation, particularly in Global South countries that rely on commodity exports to earn hard currency. This dependence often drives the expansion of extractive and large-scale agricultural activities, which are highly damaging to ecosystems and biodiversity⁹. The European Parliament should explore the question of whether a different monetary configuration, potentially including a stronger role for the euro, could support a greener and more sustainable global economy.
- 04 ECB's role for the internationalisation of the euro:** As evidence suggests a shift towards a more proactive ECB stance, the European Parliament, as the institution responsible for holding it accountable, should seek clear clarification on its role in the internationalisation of the euro and the rationale behind this change.

⁷ Carneiro, R.; De Conti, B. (2022). [Exorbitant privilege and compulsory duty: the two faces of the financialised IMS](#). Cambridge Journal of Economics, v. 46(4), July 2022.

⁸ De Conti (2011), *ibid.*; Kaltenbrunner, A., and Paineira, J.P. (2017) [The impossible trinity: inflation targeting, exchange rate management and open capital accounts in emerging economies](#). Development and change, 48 (3); Fritz, B., Paula, L.F., and Prates, D.M. (2018). [Global currency hierarchy and national policy space: a framework for peripheral economies](#). European journal of economics and economic policies: intervention, 15 (2); Carneiro, R.; De Conti, B. *ibid*; Kazi, D. and Haglund, A. (2024). [Beyond Dollar Dominance. New money and payment systems for a multipolar world](#). Positive Money.

⁹ Svartzman, R., & Althouse, J. (2022). [Greening the international monetary system? Not without addressing the political ecology of global imbalances](#). Review of International Political Economy, 29(3), 844–869; Salah, M., & Ament, J. (2025). [The ecological currency hierarchy: empirical support for currency power driven asymmetries in environmental and social autonomy](#). New Political Economy, 30(1), 77–99.

- 05 Euro vs. Renminbi:** While the euro is the second most used currency in the world, the Chinese renminbi is the currency whose usage is increasing faster¹⁰. The European Parliament should take into account a scenario in which the renminbi becomes the new key-currency, and reflect on whether this is beneficial and on whether and how the euro should prevail as a new key-currency.
- 06 US reactions:** The EU has for a long time accepted and benefitted from dollar-dominance. In the 1980s, European countries, among other developed countries, accepted the Plaza and Louvre Accord, which was a manner for the US to provoke realignment of the US dollar exchange rate while keeping US dollar hegemony. As suggested by President Trump's declarations, the US won't easily accept ambitious efforts from the EU to strengthen the international role of its currency. The European Parliament should reflect on the political trade-offs linked to de-dollarisation and explore a scenario in which the Eurozone must face possible reactions by the US government to the threats to dollar hegemony.

Policy recommendations

In light of these considerations, the EU should pursue a strategy that is both ambitious and pragmatic. Rather than seeking to replace the US dollar, it should aim to **strengthen the euro's role within a more balanced, multi-currency system**. This would enhance the EU's monetary autonomy while contributing to a more diversified IMFS, reducing Global South countries' structural dependence on external sources of hard currency. At the same time, such an approach could **support the EU's climate objectives** by encouraging a shift towards a more sustainable financial system, while reinforcing its **partnerships with Global South countries** through a clearer commitment to more balanced and cooperative economic relations.

To strengthen the international role of the euro while supporting the transition towards a greener and more multi-currency system, the EU should pursue the following measures:

- **Develop a common safe asset:** EU institutions and Member States should support the issuance of Eurozone bonds backed jointly by member countries. This would create a euro-denominated safe asset comparable to US Treasuries, enhancing the euro's attractiveness for international investors and increasing its share in global reserve holdings.
- **Expand euro-denominated and local currency lending:** EU institutions, in coordination with the European Investment Bank (EIB) and national development banks, should scale up international lending in euros while also promoting lending in borrowers' local currencies, particularly in the Global South.
- **Advance the digital euro and CBDC cross-border inter-operability:** EU legislators and the ECB should accelerate progress on the digital euro. The ECB should proactively work to ensure its interoperability with other jurisdictions' CBDCs, contributing to the development of multi-CBDC cross-border payment systems and facilitating international transactions in multiple currencies, including the euro.

¹⁰ BIS (2025). [Triennial Central Bank Survey of foreign exchange and Over-the-counter \(OTC\) derivatives markets in 2025](#). Accessed on: March 16, 2026.

- **Promote euro-denominated green trade:** The EU and Member States should align industrial and trade policies to incentivise the pricing and settlement of green energy commodities (such as green hydrogen) in euros. This would support both the emergence of a multi-currency IMFS and the positioning of the euro as a currency underpinning the green transition.
- **Promote debt-for-nature and debt-for-climate swaps:** the EU and its Member States should actively support and scale up these instruments, linking debt relief for Global South countries to clearly defined, country-led green investments.
- **Broaden and rebalance ECB swap lines:** The ECB should expand and diversify its swap line network to include more Global South countries. This would contribute to a more balanced Global Financial Safety Net (GFSN) and support the wider international use of the euro.
- **Ensure institutional coordination on euro internationalisation:** The ECB should clarify how the international role of the euro relates to its mandate. It should also coordinate with EU political institutions to ensure a coherent strategy and avoid policy inconsistencies, particularly in relation to broader objectives such as the global just energy transition.

To contribute to a fairer and more equitable IMFS, EU Member States, in concert with the EU and the ECB, should advocate for the following reforms of the International Monetary Fund (IMF):

- **Rebalance governance structures:** Ending the US veto power and increasing the voting power of Global South countries.
- **Expand and reallocate Special Drawing Rights (SDRs):** Supporting a systematic reallocation of SDRs from advanced economies to countries in the Global South, enabling them to finance development and a just transition¹¹.

Beyond institutional reforms, the EU should adopt a comprehensive strategic approach to reshape the IMFS:

- **Strengthen structured engagement with the Global South:** The EU should establish continuous dialogue with Global South partners to ensure their perspectives are reflected in EU positions and in broader reforms of global economic governance. This should include coordination on issues such as the international role of the euro, ECB's swap lines and the EIB's external lending, and support for greater representation of these countries in international financial institutions.
- **Strengthen monetary and financial sovereignty:** The EU and the ECB should anticipate potential reactions from the United States to efforts aimed at reshaping the IMFS. Increasing sovereignty, while building alliances with a broad range of countries, will be essential to advance reforms. In this context, the EU should avoid endorsing or reinforcing the use of currencies, particularly the US dollar, and financial infrastructures as geopolitical tools.
- **Long-term perspective:** In the longer term, the ECB and the EU should support international discussions on the possible evolution of the IMFS towards a system based on a supranational currency for international transactions, such as an expanded role for SDRs.

¹¹ UNCTAD. (2019). Trade and Development Report 2019. Financing a Global Green New Deal. United Nations Conference on Trade and Development.