

Some easy wins for the planned 'digital euro'

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By [Dr Martijn Jeroen van der Linden](#), The Hague, 7 April 2025 12:21

European central bankers and politicians are increasingly framing the digital euro in the rapidly-changing geopolitical context, emphasising strategic autonomy.

Generally, they [mention](#) the absence of attractive pan-European digital payment solutions, which makes Europe reliant on foreign, in particular American, payment providers.

The introduction of the digital euro could provide a secure and universally accepted digital payment option under European governance, reducing reliance on foreign providers.

However, the current proposed design does not fully align with achieving this objective.

The €3,000 limit for consumers and the zero limit for merchants impose significant restrictions on the digital euro's competitiveness against well-established retail payment services and emerging dollar stablecoins.

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Furthermore, the restriction of access to eurozone citizens limits the digital euro's geopolitical potential.

To grasp the geopolitical potential of the digital euro, one should examine the development of the role of the US dollar.

For eight decades, the US dollar has dominated international finance, actively supported by the US Treasury and the Federal Reserve through extensive issuance of safe assets and generous central bank swap lines.

These swap lines, along with the Clearing House Interbank Payments System (CHIPS) in New York, have facilitated the creation and use of dollars outside the US, thereby strengthening the dollar's global position.

The Eurodollar market currently stands at approximately \$13 trillion [€11.86 trillion]. The value of physical US banknotes in circulation internationally is estimated to be between \$1.07 trillion and \$1.42 trillion, representing approximately 45 percent to 60 percent of all physical dollars.

European central bankers often argue that the digital euro is a natural extension of cash into the digital age. The cash analogy helps illustrate the digital euro's potential.

Today, individuals can carry euro banknotes worldwide, and any economic actor can choose to accept these notes, joining the currency network effortlessly.

Open design is crucial

A digital euro would amplify this capability, enabling economic agents both within and beyond the EU to easily accept, store, and transact in euros digitally. To achieve this global usability, an open design is crucial, allowing economic actors everywhere to join as seamless as possible the euro network.

This approach mirrors the expansion of the dollar over recent decades, as individuals physically brought and accepted dollars abroad and opened digital dollar accounts outside the US.

An open design could significantly strengthen the international role of the euro. Furthermore, it would create attractive opportunities for EU banks and fintech companies to offer digital euro wallets and accounts to consumers worldwide.

European merchants would also likely benefit, as consumers globally could easily purchase products and services using digital euros. A key advantage of settling with digital euros compared to other international means of payment is the instant settlement and thus the absence of credit, liquidity and settlement risks.

Additionally, if the adoption of the digital euro is widespread, the currency could potentially serve as one of the safe assets underpinning Europe's financial markets.

Over recent decades, the US has enjoyed the advantages of the well-developed global dollar infrastructure. However, the dollar's global dominance is now under threat due to the uncertainty and inconsistencies stemming from the second Trump administration.

This has led to new risks, as illustrated by, for example, [concerns](#) about scenarios where the Federal Reserve might restrict access to dollar swap lines, and has created opportunities for other countries, notably the EU and China.

Over the past decade, China has made significant efforts to develop a new global monetary system.

These efforts have included developing the digital yuan and an electronic payment system, launching the Cross-Border Interbank Payment System (CIPS), and actively participating in several multilateral cross-border CBDC initiatives, notably the mBridge project.

Coupled with the [Belt and Road Initiative](#), the Digital Silk Road Initiative, and [BRICS cooperation](#), China appears eager to create a monetary and financial system that is less dependent on Western-controlled institutions such as SWIFT, CHIPS, and Fedwire.

The next step may involve the international rollout of the digital yuan among allies, authoritarian states, developing nations, and the 1.4 billion people unbanked.

Europe should now consider developing and implementing a digital euro that is accessible to the global community and has little to no holding limit.

The question is whether European politicians will have the courage to do this and transform the digital euro into a genuine geopolitical instrument, which could empower Europe to assert its independence from both American dominance and a potential Chinese alternative, while enhancing the international role of the euro.