



briefing

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EU geoeconomics in money and finance:

From ad hoc to coherent strategy

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Introduction

Since the end of World War II, the international monetary and financial system has been organized around the US dollar. The use of the dollar in international trade invoicing, cross-border banking and reserve holdings reduces the funding costs of the United States and gives Washington powerful tools of geoeconomic statecraft, including sanctions. The large-scale freezing of Russian assets after the invasion of Ukraine is just one example of how monetary and financial infrastructures are weaponized at scale. Since January 2025, US economic policy has become openly geoeconomic, with greater use of tariffs and export restrictions.

At the same time, a new technology layer is being added to the monetary system. Stablecoins have become a cross-border payment instrument, and many central banks are exploring and piloting central bank digital currencies (CBDCs). These developments raise a strategic question for the European Union: will the next generation of payment and settlement infrastructures and new forms of digital money extend dollar dominance, or can the euro gain international

traction through them?

This policy note proceeds in four steps. First, it compares the geoeconomic strategies in money and finance of the US, China and the EU. Second, it explains why the EU's 'muddling through' is institutionally rational, given its governance architecture, and proposes a European Economic Security Council to close the governance gap. Third, seven lines of action for a European strategy in money and finance are proposed. Finally, some conclusions are drawn.

Monetary and financial geoeconomics

The US's deep markets, backstops and private innovation

Dollar dominance is not simply the result of market forces. It is supported by the depth of US Treasury securities markets as the world's key safe assets, by the Federal Reserve's global lender-of-last-resort function via swap lines and other liquidity facilities, supporting large-scale offshore dollar creation, and by dollar-centric global finance, correspondent banking, and payment and settlement infrastructures such as the Clearing House Interbank Payments System (CHIPS) and Fedwire. These systems anchor high-value settlements and create effective chokepoints for sanctions enforcement.

The US also faces an innovator's dilemma. As the incumbent issuer of the key currency, it has little incentive to redesign a system that already works in its favour. In digital money, US

politics has so far mainly tilted against a retail CBDC and towards private monetary innovation. A central element is that dollar-denominated stablecoins are created and function as offshore dollars (digital dollars outside the US). Stablecoins offer inexpensive and fast cross-border transactions, serve as a store of value in unstable monetary regimes, and boost demand for US Treasuries as they are held as reserves by issuers. In 2025, Tether became the seventh largest buyer of US Treasury bonds, with purchases exceeding those of Taiwan, South Korea and Germany.¹ The trade-off is a matter of political economy: seigniorage shifts to private entities, while transparency and accountability remain contested. In 2024, the profits of Tether were \$14 billion with just 150 employees, (\$93 million per employee). Transparency regarding its assets remains limited. Tether issues quarterly attestations of its assets, verified by an accounting firm, but a full audit remains outstanding. Consequently, concerns about Tether's reserves persist, and a sudden run remains a possibility.

Although several countries have the ambition to substitute away from the US dollar, this remains very difficult because the dollar is the dominant currency in foreign exchange trading, and global finance is structurally dollarized through derivatives, commodity pricing, bank funding and correspondent banking. For example, 89.2% of all foreign exchange trades have the dollar on one side.² This largely keeps dollar-based sanctions effective and means switching costs are high.

China's state-led development

China's monetary strategy is explicitly geopolitical, but it is state-led rather than market-led. After the Global Financial Crisis of 2007/8, Chinese policymakers advocated a 'super-sovereign' reserve currency.³ When this proposal failed to gain traction, China pivoted towards building alternative infrastructures: the digital yuan (e-CNY) and cross-border settlement channels such as the Cross-border Interbank Payment System (CIPS) and multilateral CBDC arrangements. One of these arrangements is mBridge, a multi-CBDC platform that enables participating banks to settle cross-border transactions directly in tokenized central bank money (digital tokens on a shared blockchain ledger) of the participating countries. If successful in the (near) future, this will significantly reduce reliance on SWIFT messaging and dollar-denominated correspondent banking and settlement infrastructures.⁴

Crucially, China's monetary and payment initiatives are integrated into its state-led banking system and broader geopolitical programmes, notably the Belt and Road Initiative and the Digital Silk Road. This alignment allows sequencing and scale: diplomacy, infrastructure, technology and power are pursued as one. The digital yuan illustrates this step-by-step strategic logic. In the US and Europe, CBDCs are often evaluated through a narrow 'demand' lens: if households and firms do not immediately ask for a CBDC, 'a CBDC is a solution in search of a problem'.⁵ China has treated adoption as an outcome of state capacity and design. Work on the e-CNY began in 2014, the Digital Currency Research Institute

was established in 2016, the first pilots were started in 2019, the e-CNY was available at the Winter Olympic Games in 2022, and in the years that followed access expanded gradually. By the end of November 2025, 16.7 trillion renminbi (about \$2.3 trillion) in transaction value were processed.⁶ Policymakers regularly evaluate the e-CNY, conduct experiments (for example, with wallet features and incentives) and change its design to make it fit scaling objectives. More recently, China decided to integrate e-CNY more into its largely state-led banking system and to allow interest on e-CNY holdings, making it the first interest-bearing CBDC in the world.⁷ This will support domestic and, in the mid-term, possibly international uptake. The same coordination logic is visible in cross-border experimentation. Starting with one experiment, mBridge's processed volume rose gradually to \$55.49 billion in November 2025, with the e-CNY accounting for around 95% of settlement volume.⁸ The point is not that these infrastructures have already displaced the dollar – they have not – but that scaling is being manufactured through institutional coordination: once infrastructure, diplomacy, standards and participants are pulled into a single direction, demand follows, not the other way around.

China's approach, however, faces limitations. Challenging the key currency status of the US dollar would likely require deeper and more open capital markets and a more credible legal-political framework. But even without full key currency status, infrastructure adoption can deliver significant dollar independence and lead to a more fragmented international monetary order.

The EU's awareness lacks a coherent strategic apparatus

In the first two decades of the euro, the EU adopted a passive, market-driven approach towards the international role of the currency. In 1999, Wim Duisenberg, the first ECB president, stated aptly: 'The ECB should accept the international role of the euro as it develops as a result of market forces. To the extent that the Eurosystem is successful in meeting its mandate and maintaining price stability, it will also automatically foster the use of the euro as an international currency.'⁹ This view reflected an era in which economic policy and security could be treated as separate domains, and in which policymakers assumed that efficient financial markets would deliver not only stability and prosperity, but also the strategic outcomes Europe needed.

In the last decade, the EU has increasingly recognized the geopolitical stakes. In 2018, the European Commission called for a stronger international role for the euro.¹⁰ In 2021, the Commission reframed this agenda under the heading of 'open strategic autonomy', arguing that the European economic and financial system should become more resilient and less exposed to foreign coercion. More recently, the ECB has increasingly framed the digital euro as part of Europe's strategic autonomy because Europe's dependence on non-European payment providers is substantial (Visa and Mastercard form a duopoly).¹¹ In addition, several proposals have sought to operationalize what a stronger international euro would require in institutional and infrastructural terms.¹²

Europe's defining feature compared to the US and China is not a lack of awareness or ideas but limited institutional capacity for strategic coordination. Key dossiers are processed in silos: the ECB focuses on updating cash to the digital age and financial stability; competition and market regulation proceed separately in the Directorate-General for Competition and the Directorate-General for Financial Stability, Financial Services and Capital Markets Union; and foreign policy and security are mainly discussed at the national level and separately from economic considerations. The digital euro illustrates the lack of coordination: design choices have long been dominated by risks for incumbent banking institutions and by privacy concerns, while the geopolitical dimensions such as dependencies, the international role of the euro and interoperability with other CBDCs have been far less discussed and arrived late on the table.

The EU's governance gap and the need for a European Economic Security Council

The EU's weakness in the geoeconomic competition is thus primarily institutional. The Union's governance architecture was built for a world in which trade, market regulation and economic policymaking could be treated largely separately from foreign policy and security. Economic integration moved to the European level while security remained predominantly national. The result is a system that is very good at rulemaking but weaker at strategic prioritization and

trade-off decision-making. Several geoeconomic dossiers are handled predominantly as technical until late in the process, after key design choices have been made. This produces incrementalism and risk avoidance, while geoeconomic infrastructure competition is also, if not mainly, about coherence and speed.

To close this governance gap, this note endorses the proposals of Enrico Letta¹³ and Hans Kribbe and Luuk van Middelaar¹⁴ to create a European Economic Security Council (EESC) that brings key economic and security actors ‘under one roof’ without requiring a treaty change. The EESC should emanate from the European Council, where democratic legitimacy for cross-domain trade-offs resides. The EESC is chaired by the President of the European Council, with the heads of state and government, the Commission President, the ECB President, the EIB President, the High Representative and the Eurogroup President at the table.

Kribbe and van Middelaar propose a European Economic Security Adviser, appointed by the European Council President, supported by a dedicated team (initially about 20 staff). This team provides foresight, geostrategic risk analysis and contingency planning, and ensures that strategic trade-offs are prepared early rather than improvised at the end of the policy cycle.

Under the Adviser, the EESC operates on three levels. At the leaders’ level, it arbitrates the most important trade-offs and sets strategic direction, meeting back-to-back with European Council summits. At the ambassadors’ level, the EU27

permanent representatives meet regularly in an EESC constellation to prepare leaders' decisions, ensuring continuity and horizontal coordination. At the working level, newly appointed national economic-security coordinators and relevant EU officials assess the geostrategic implications of sensitive proposals early, so that, for example, payments, digital money, investment screening, export controls and industrial instruments are aligned before dossiers harden into siloed positions.

This is not an institutional step into the unknown: the US has long handled geoeconomic statecraft through the National Security Council (NSC). Since 1947, the NSC routinely arbitrates trade-offs across money, finance, technology and foreign policy. In 2013 Japan elevated 'economic security' to the centre of government, creating cabinet-level coordination to align industrial policy, trade instruments and critical infrastructure.

The EESC would thus subject security-sensitive economic proposals to early geostrategic appraisal; steer priorities across domains so that instruments such as investment screening, export controls and infrastructure strategy serve coherent objectives; and act as decision-maker of last resort when trade-offs cannot be avoided. For money and finance, the EESC would provide the missing forum to decide, transparently and politically, how far Europe is willing to go in reducing US dollar dependencies and in pushing the international role of the euro, how it weighs openness against control, and which external partnerships it prioritizes.

Seven lines of action for an EU geoeconomic strategy in money and finance

In practice, the EESC should bring monetary, financial, industrial and foreign-policy instruments into a single steering process. Money, payments and finance are pivotal in the age of geoeconomics because they sit at the level of infrastructure and enforcement: payment rails, currency denomination, clearing and collateral determine who can transact, at what cost and under whose rules. Seven lines of action could guide European strategy initially:

1. **Deepen euro safe-asset and collateral capacity.** The supply of high-quality euro-denominated safe assets must be increased through deeper capital markets, credible fiscal capacity and, where politically feasible, common issuance instruments. The current momentum around European defence financing is an opening for this: defence bonds could significantly expand the pool of euro safe assets. This geoeconomic argument needs to be made in national and European politics.
2. **Build a euro swap-line strategy.** More predictable and more generous euro liquidity backstops are needed. A first concrete step was taken in February 2026, when the ECB upgraded its Eurosystem repo facility for central banks to provide standing access for a broad set of central banks against euro-denominated collateral – making backstop liquidity more automatic and geographically inclusive.¹⁵ The next challenge is moving from a reactive, collateral-based facility to

proactive swap-line diplomacy with strategically important partners. Credible liquidity support is a precondition for offshore euro creation and wider international use. The EU should prioritize partnerships with countries in Africa, Southeast Asia and Latin America, where it has a significant economic presence and where monetary allegiances are not yet locked in (as in the Middle East).

3. **Design the digital euro as a strategic public good.** It would be in Europe's best interests to guarantee settlement in central bank money in the digital age – online and offline – via genuinely European public infrastructure. Design parameters will have to be aligned with these strategic objectives from the outset, not as an afterthought: this includes possible future non-resident access, interest-bearing accounts, and significantly higher holding limits where these serve Europe's international interests.
4. **Shape the euro-denominated digital asset landscape.** The institutions need to be identified that will be best placed to develop European unified ledgers and link the digital euro to wholesale settlement upgrades and tokenized securities, ensuring that the tokenization of financial markets advances within Europe rather than migrating to foreign or private rails. This must go beyond prudential regulation (Markets in Crypto-Assets Regulation, MiCAR) and include a proactive market-shaping strategy: actively fostering euro-denominated tokens and preventing dollar stablecoins from becoming the default digital payment instrument in markets where Europe has influence.

5. **Make the euro the currency of the clean energy transition.** The link between dominant currencies and energy is structural: sterling was the currency of the coal age, the dollar of the oil era. The financing of the clean energy transition is the next phase and the euro is better placed than is often recognized.¹⁶ It already leads global green bond markets, and Europe's regulatory depth, ECB climate integration and NextGenerationEU issuance give it credibility that the United States is actively abandoning. The EU should build on this deliberately: promote euro-denominated transactions in trade agreements, align export finance and public procurement with euro invoicing, and task the ECB with an explicit green internationalization strategy. At the same time, the structural dollar lock-in created by energy imports priced in dollars must be confronted: as long as European energy purchases remain dollar-denominated, dollar dependence is embedded in the system regardless of progress elsewhere.
6. **Build resilience against financial coercion.** Chokepoints need to be identified in payment and financial market infrastructures, including dependencies on US clearing, swap lines, data infrastructure and credit rating agencies, and stress-test continuity under coercion scenarios. Resilience is not about making European sanctions less effective, but about ensuring that Europe cannot be cut off.
7. **Forge coalitions on cross-border settlement, standards and digital trust.** We need to build partnerships with like-minded countries around

interoperability standards – digital identity, wallets, cyber resilience, settlement finality – and engage actively in the development of new cross-border settlement systems. Anti-money laundering (AML) and know-your-customer (KYC) utilities, and cloud and cyber dependencies need to be treated as strategic monetary infrastructure. European governance and operational control are required so that this layer reflects liberal democratic values and can scale both inside and beyond Europe. This is where Europe can shape the architecture of the future.

The *One Europe, One Market* roadmap agreed by the European Parliament, the Council and the Commission in April 2026, is a good step: the digital euro, the deepening of capital markets and the broader digital and AI transformation agenda are all entry points for a more strategic approach to money and finance.¹⁷ The roadmap and the underlying European Council conclusions are, however, developed through the logic of market integration, competitiveness and investment mobilization not geoeconomic strategy.¹⁸ In addition, important lines of action for the internationalization of the euro, such as swap-line diplomacy and coercion resilience, are not mentioned. Finally, neither document introduces a new coordination mechanism capable of making the cross-domain trade-offs that a coherent monetary and financial geoeconomic strategy requires.

Conclusion

The United States and China treat currency, liquidity backstops, payment rails and digital money architectures as geoeconomic instruments, supported by institutional arrangements that allow priority-setting and step-by-step execution. Europe, by contrast, continues to approach these issues as a set of loosely connected technical responsibilities. The result is fragmented decision-making and strategic drift.

A European Economic Security Council would provide the missing forum to make cross-domain trade-offs and enable Europe to move from reactive policymaking to an executable monetary and financial strategy: deepening safe-asset capacity, developing a euro swap line strategy, diplomacy, designing a digital euro that buys strategic optionality and shaping standards through partnerships.

With an EESC at the centre, these seven lines of action can be integrated into Europe's wider economic-security agenda – trade, defence, industrial policy, digital technologies, energy transition – so that objectives and instruments reinforce each other rather than colliding. In an age of geoeconomic rivalry, money, payments and finance are not the technical layer, resulting from mere market forces, but the operating systems that are shaped by geoeconomic strategies.

Notes

- 1 AiCoin, 2026. USDT Q4 2025 Market Report. Available at <https://www.aicoin.com/en/article/515306>↵

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- 3 Z. Xiaochuan, 2009. Reforming the International Monetary System. People's Bank of China.↵

- 4 Society for Worldwide Interbank Financial Telecommunication (SWIFT) moves structured messages between financial institutions. Settlement for large dollar payments happens mainly on systems like the Clearing House Interbank Payments System (CHIPS). mBridge could potentially change messaging and settlement in three ways: 1) it merges messaging and settlement into one step; 2) it removes correspondent banks as main intermediaries, instead, central banks are the main players; 3) it settles in other currencies, not dollars.↵

- 5 See, for example: ↵
 - P. Bofinger and T. Haas, 2021. CBDC: where is the unique selling proposition? SIERF Policy Note 228. Available at <https://www.sierf.org/publications/sierf-policy-notes-and-briefs/cbdc-where-is-the-unique-selling-proposition/>
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- 7 Reuters, 2025. China's digital yuan to become interest-bearing next year, state broadcaster says. December 29. Available at

<https://www.reuters.com/world/asia-pacific/china-issue-digital-yuan-management-action-plan-2025-12-29/>↵

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- 9 W. Duisenberg, 1999. The euro has arrived. Presented at the Meeting of the American European Community Association on 14 January 1999. Available at <https://www.ecb.europa.eu/press/key/date/1999/html/sp990114.en.html>↵
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- 11 See for example:↵
 - P.R. Lane, 2025a. The Digital Euro: Maintaining Monetary Autonomy. Speech at University College Cork Economics Society Conference, March 20. https://www.ecb.europa.eu/press/key/date/2025/html/ecb.sp250320_1~41c9
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- 12 See for example, J. van 't Klooster and S. Murau, 2025. 'Rethinking currency internationalisation: offshore money creation and the EU's monetary governance'. *Journal of European Public Policy*, DOI: 10.1080/13501763.2025.2497357 ↵
- 13 E. Letta, 2024. *Much More Than a Market*. Report to the European Council.↵
- 14 H. Kribbe & L. van Middelaar, 2025. *A European Economic Security Council: Making strategic trade-offs in the age of geoeconomics*. [Brussels Institute for Geopolitics Report 007](#).↵

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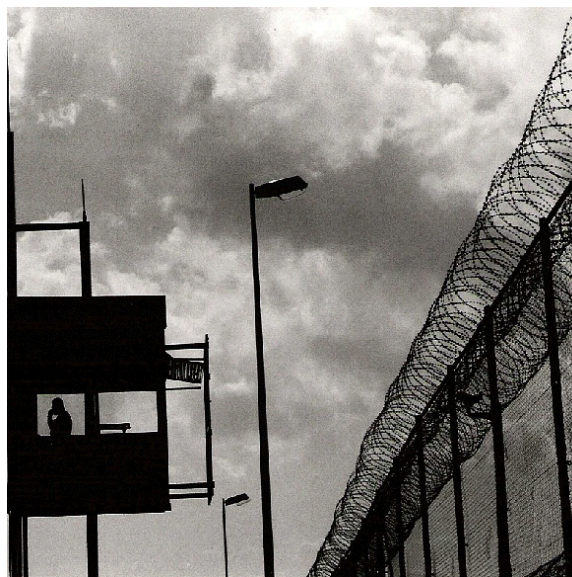


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