

To the chairman of the Advisory Council International Affairs  
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Date March 2022  
Subject Request for advise on the international role of the euro

Dear chairman,

In recent years, there has been an increasing debate in the European context about the role and position of the European Union on the world stage and how it can best promote its interests and defend its values in the future.<sup>1</sup> This discussion is taking place against a background of shifting geopolitical relations, of which the United States' increased focus on Asia and the rise of China as a world power are the most striking.

The international role of the euro is discussed as one of the elements that can potentially contribute to strengthening the economic position of the European Union, with repercussions on the geopolitical position of the EU that are similar to the advantage that the United States derives from the dominant position of the dollar.

Since its introduction as a currency in 1999, and as a means of payment in 2002, initially the euro experienced clear growth as a means of payment in international transactions. From 2009 onwards, however, this growth reversed and the use of the euro declined. For some years now, it has been stable at around 19%.<sup>2</sup> Over this period as a whole, the euro has therefore remained the most widely used currency after the dollar by far.

Looking to the future, there seem to be several developments outside the EU that could have an impact on the use of the euro. Firstly, the rise of the Chinese economy could increase the role of the renminbi in international financial markets in the longer term. In addition, there is the emergence of so-called crypto-currencies and, by extension, the possible introduction of digital central bank money. These developments may put pressure on existing positions and structures in the international payment system. Here too, China, which has already introduced Chinese digital central bank money on a limited scale, plays a role.

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<sup>1</sup> [Towards a stronger international role of the euro: Commission contribution to the European Council and the Euro Summit \(13-14 December 2018\)](#) en BNC-fiche: Kamerstuk 22 112, nr. 2752

<sup>2</sup> ECB, International role of the Euro, June 2021.

Given the breadth of policy areas covered in European debates on the position of the euro and the possible geopolitical, economic and monetary implications of a greater international role for the euro, a more detailed analysis is desirable. To this end, a number of questions arise, which lie at the intersection of geopolitics, international trade and the financial-economic and monetary spheres.

**Onze referentie**

1. To what extent can the international role of the euro be enhanced as a result of European policy and to what extent does such an enhanced international role of the euro contribute concretely to the strengthening of the economic and geopolitical position of the EU? In relation to which international players? Would a stronger international role for the euro come at the expense of the dollar, and what would be the consequences?

2. Given that the role of the euro was stronger before 2009 than it is currently, what are the main determinants for maintaining or strengthening the role of the euro in the future?<sup>3</sup> How can confidence in and use of the euro be boosted, for instance in commodity or energy markets, or how can improving the architecture of the euro increase confidence?

3. If a stronger role for the euro can contribute to a stronger geopolitical role of the EU, what are effective measures to achieve this? What could be the role of the Dutch government in this?

4. It is often said that greater integration of financial markets in the EU contributes towards enhancing the international role of the euro. To what extent can current European plans in the capital markets and banking sector be helpful in this regard? And are there still obvious missing elements in that context?

5. To what extent is it to be expected that the renminbi will continue to emerge as an internationally used currency and what kind of interaction could arise if both the euro and the renminbi emerge as reserve currencies at the expense of the dollar? Would this have any significant implications for the global financial system and the geopolitical relations between the EU, the US and China?

Yours sincerely,

The Minister of Foreign Affairs,

W.B. Hoekstra

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<sup>3</sup> See for example <https://www.ecb.europa.eu/pub/ire/html/ecb.ire202106~a058f84c61.en.html>