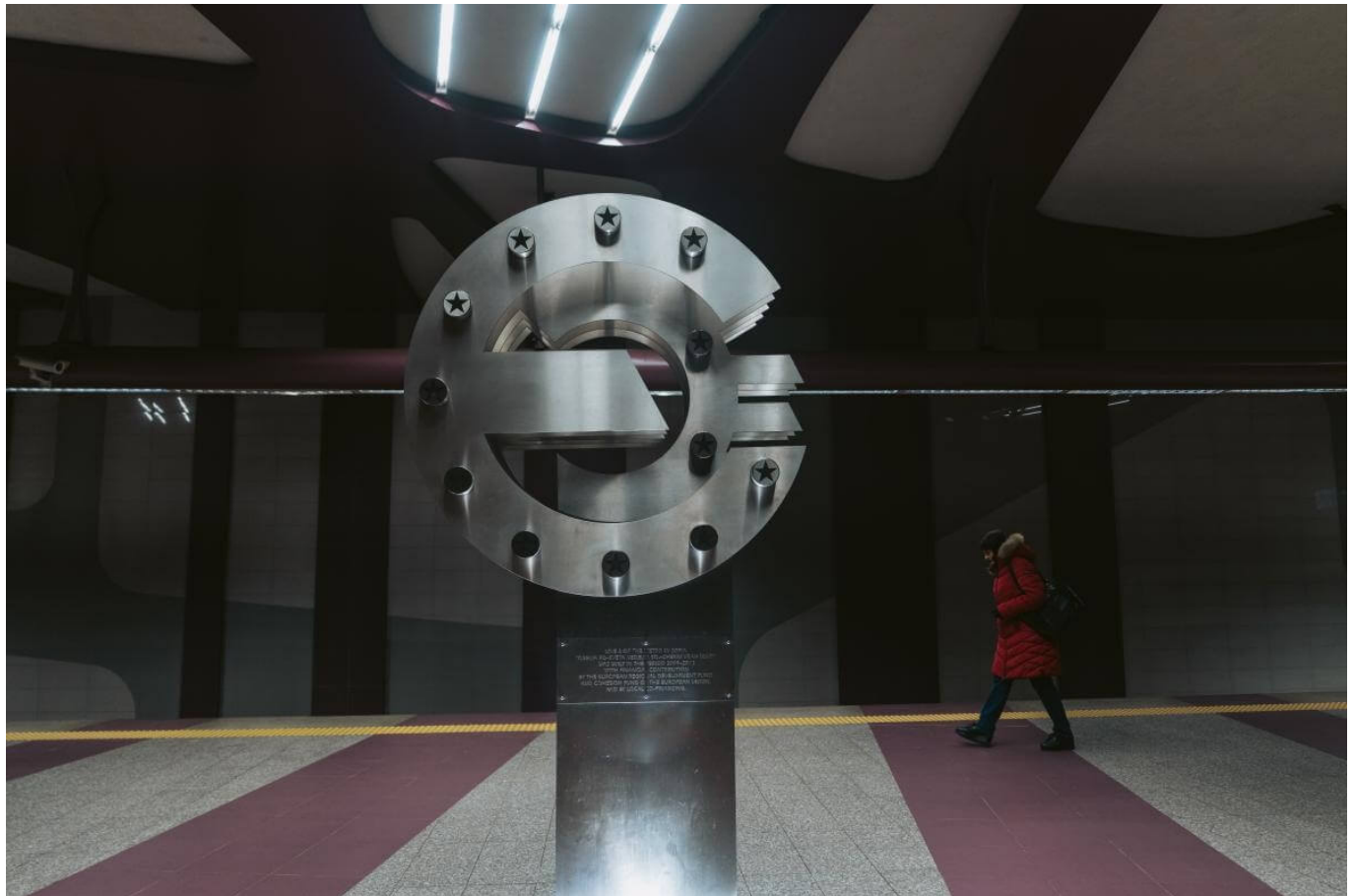




By: Piroska Nagy Mohácsi

Does the euro have a chance to become genuinely global?



As the global monetary order becomes increasingly fragmented, the European Union has a rare opportunity to shape the emerging system and bolster the euro's international role.

But for the euro to become genuinely global, it must first become more European.

The dollar's share of global foreign-exchange reserves has fallen sharply in recent years, as concerns about **US fiscal policy**, the growing weaponization of America's economic power, and the fragmentation of international trade push central banks and private investors to diversify.

As Dong He and Eswar Prasad have **separately argued**, however, the most likely outcome is a system organized around competing blocs rather than the emergence of another dominant currency.

According to the European Central Bank, the **euro's "share"** across various indicators of global currency use" was "around 20%" in 2025, solidifying its position as the world's second-most important currency.

It is widely used in international trade, lending, and bond issuance, and is also vital to green finance.

The Chinese renminbi also could emerge as a dollar alternative, given the size of China's economy and its importance to global trade, but its international appeal is constrained by capital controls, limited convertibility, and legal uncertainty.

While gold offers some protection against geopolitical risk and crypto assets can play a role in some investment and payment markets, neither offers the liquidity and stability expected of a leading international currency.

Narrow opening

All this gives the euro a narrow opening. European policymakers rightly emphasize that a stronger international euro requires a real

capital markets union, a functioning banking union, and a larger supply of liquid, euro-denominated safe assets.

These reforms are indispensable, but they focus only on the euro's financial foundations. Its reach is just as important.

Notably, the euro is still not the currency of the **entire EU**. Following a long political and economic journey, recently analyzed by Charles Enoch and Anne-Marie Gulde-Wolf, **Bulgaria's accession** in January brought eurozone membership to 21, leaving six member states outside: the Czech Republic, Denmark, Hungary, Poland, Romania, and Sweden.

Only Denmark has the right to opt out under EU treaties, while the other five are committed in principle to eventual adoption, albeit without a binding timetable.

For years, Europe has accepted the fact that several EU members chose to remain outside the euro

For years, Europe has accepted the fact that several EU members chose to remain outside the euro.

But what was once a tolerable anomaly is fast becoming a strategic vulnerability.

A currency with global ambitions should not be struggling to win over countries in its own backyard.

If the remaining holdouts reconsider, investors and reserve managers elsewhere will take notice.

Staying outside the eurozone has become hard to justify

Sweden illustrates how economic integration and geopolitical shifts have altered the calculus of eurozone membership.

A recent **reassessment** led by economist Lars Calmfors, who had previously supported rejecting the euro, concluded that the case for membership is stronger than ever.

Today's Swedish economy increasingly moves in step with the eurozone's, while banking integration, geopolitical uncertainty, and greater influence over European decisions have made joining more attractive.

Former Hungarian Prime Minister Viktor Orbán's ouster has reversed years of estrangement from the European mainstream, potentially putting another euro holdout on the path to membership.

A credible commitment to euro adoption will help anchor expectations and reduce the country's risk premium, a process that has already begun under the new government.

Potential "Breturn" to Europe's economic core could end up strengthening the euro's wider ecosystem

For Poland, Central Europe's growth leader with a **rapidly growing military**, staying outside the eurozone has become hard to justify.

If it truly aspires to shape Europe's future, it should have a voice in the monetary institutions that determine how the EU finances its economic resilience and defense.

Then there is the United Kingdom, whose relationship with Europe is more complicated.

Far from removing the UK from Europe's economic and security environment, Brexit has instead exposed the costs of remaining outside the EU's central institutions.

Although the prospect of eurozone membership remains distant, a potential **"Breturn"** to Europe's economic core could end up strengthening the euro's wider ecosystem.

Capital-market integration

Staying outside the eurozone, some would argue, provides valuable monetary flexibility when national economic cycles diverge from the eurozone's.

For deeply integrated European economies, however, that autonomy exists mostly on paper.

While exchange-rate volatility fuels inflation, central banks are far too reliant on the ECB to chart their own course.

And as Hungary's poor inflation record during Orbán's final years showed, **monetary sovereignty** can be abused.

Eurozone membership is no longer merely about exchange rates and monetary policy

Crucially, eurozone membership is no longer merely about exchange rates and monetary policy.

Russia's war in Ukraine, followed by US President Donald Trump's weakening of American security guarantees, has forced Europe to confront the question of how to pay for its own defense and economic resilience.

Capital-market integration and euro-denominated safe assets will be critical to raising the enormous sums needed to invest in defense, infrastructure, energy, and technology.

Much of this financing would need to involve EU member states outside the eurozone, particularly Poland and Sweden, as well as non-EU countries like the UK and Ukraine.

Joint European borrowing and other common instruments could create the larger pool of safe assets global investors demand while financing urgently needed public goods.

Larger eurozone

A larger eurozone would also help bring the EU's most vulnerable neighbors into its economic orbit. There are currently nine recognized **candidates for EU membership**, including Ukraine.

Montenegro has used the euro unilaterally for over two decades, while other candidates rely heavily on it for banking, trade, and remittances.



The euro's advantage lies in its combination of an open market, predictable rules, central-bank independence, and democratic accountability

In a world of competing blocs, international-currency status will reflect trust in political institutions, not just economic size.

The euro's advantage lies in its combination of an open market, predictable rules, central-bank independence, and democratic accountability.

Europe should build on that by forging stronger monetary ties with neighboring and allied countries committed to these principles, starting with the non-EU members of the European Economic Area.

Predictable ECB swap and repo facilities, tied to economic integration and institutional standards, could further extend the euro's reach without turning access to European liquidity into a geopolitical instrument.

Ultimately, the euro's international role will be decided by financial markets. But while the EU

cannot compel central banks, companies, or investors to use its currency, it can give them more reasons to do so.

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