

# Europe’s Digital Gamble: How the Digital Euro Could Reshape Global Currency Power

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## When Money Stops Being Neutral

Who controls money when cash disappears and payments become fully digital: governments, corporations, or foreign powers?

This question is no longer abstract. On 30 October 2025 the European Central Bank (ECB) launched the next phase of its digital euro project, marking a decisive moment in Europe’s monetary future. Officially, the digital euro is presented as a modern payment solution for a cashless society. In reality, it is something far more consequential: a strategic instrument that could redefine Europe’s economic sovereignty, competitiveness, and position in global markets.

Central bank digital currencies (CBDCs) are not simply technological upgrades. They are responses to a shifting balance of power, where monetary influence is increasingly exercised through digital infrastructure, payment systems, and control over financial data. China has understood this logic early. Its digital yuan is operational in eighteen countries

and increasingly embedded in trade relationships across Asia and the Middle East. The United States, though slow to act on a digital dollar, continues to benefit from the entrenched dominance of the US dollar, however the dollar is not as strong as it once was. Europe by contrast finds itself in an uncomfortable position, caught between strategic hesitation and growing external dependence. The question is no longer whether Europe should introduce a digital euro, but whether it can afford not to. If deployed by 2027 with a clear strategic vision, the digital euro could strengthen Europe’s position in global markets. If mishandled, it risks becoming a marginal tool in a currency system shaped by others.

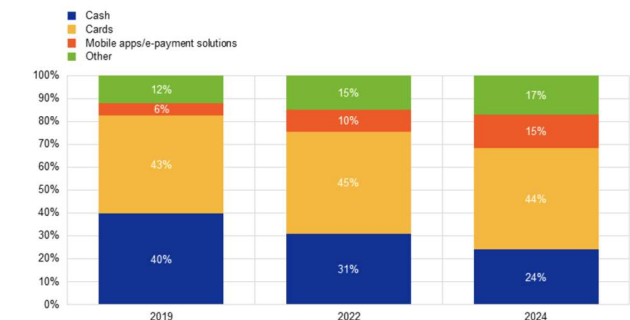
## Europe’s Shrinking Monetary Room for Manoeuvre

For decades, European monetary policy relied on a stable framework: commercial banks as intermediaries, cash as a universal anchor, and the euro as a trusted store of value. That framework is eroding. Cash usage in the euro area has fallen steadily in the last years, with cash accounting for 52% of point-of-sale transactions in 2024, compared with 59% in 2022. This is also due to the fact that more and more people are doing their shopping online.

At the same time, private digital payment alternatives are gaining ground. Around 10% of Europeans now hold cryptocurrencies, while stablecoins such as USDT and USDC increasingly dominate cross-border payments outside the EU. These developments weaken the ECB’s ability to transmit monetary policies and at the same time expose Europe to foreign and private monetary influence.

The digital euro is designed to close this gap. By offering a public, central-bank backed digital means of payment, it would preserve the role of sovereign money in a rapidly digitizing economy, without relying on private platforms or non-European infrastructure.

**Figure 1: Day-To-Day Payments in The Euro Area by Payment Instrument, in Value Terms**



Source: ECB (2024), Study on the payment attitudes of consumers in the euro area (SPACE).

Note: The “Other” category includes bank cheques, credit transfers, direct debit, instant payments, loyalty points, vouchers and gift cards, crypto-assets, buy-now-pay-later services and other payment instruments.

## Why the Digital Euro Matters for Europe’s Economy

The economic implications of a digital euro extend far beyond payments. At its core, it could reshape how money circulates within the European economy.

First, it would significantly reduce transaction costs. Cross-border payments within the EU still take one to three days and can cost up to 3-5% in fees: this is

especially hard for small and medium-sized enterprises. According to the European Commission, European SMEs lose an estimated € 30 billion annually due to inefficient payment systems.

A digital euro could enable instant, near zero cost transactions across the single market, strengthening economic integration and improving the competitiveness of European companies, especially compared to US and Asian rivals operating on faster digital rails.

Second, the digital euro could enhance economic resilience. In times of crisis, monetary support often reaches households and businesses too slowly due to banking bottlenecks. With a digital euro, the ECB could distribute liquidity directly, accelerating economic stabilization and reducing reliance on fragile intermediaries.

### Reducing Europe's Strategic Dependencies

Europe's economy remains deeply intertwined with dollar-based systems. The US dollar accounts for roughly 60% of global reserves and dominates international trade in commodities such as oil and gas. The freezing of Russian assets and exclusion from SWIFT in 2022 demonstrated how financial infrastructure can be weaponized.

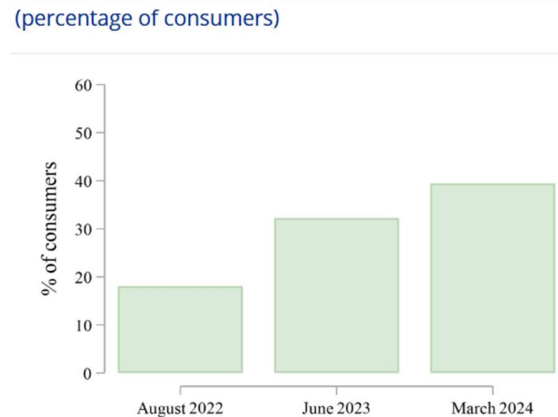
China has responded by accelerating the international use of its digital yuan, including for energy trade with sanctioned partners. For Europe, this creates a strategic dilemma: continue operating within dollar-dominated systems or develop a sovereign alternative.

A digital euro would very likely not dethrone the dollar, but it could reduce Europe's exposure to geopolitical pressure. Used strategically in trade

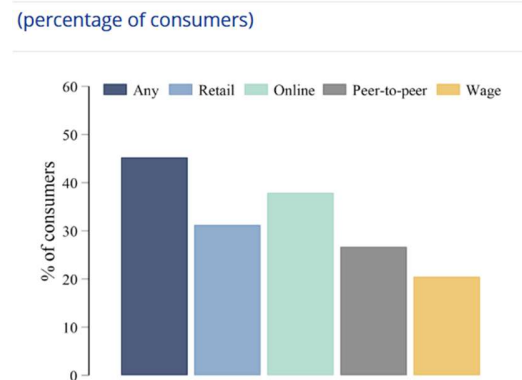
with neighboring regions, it could strengthen Europe's economic influence and monetary autonomy.

**Figure 2: Awareness Of, And Willingness to Adopt a Digital Euro**

#### a.) Digital Euro Awareness



#### b.) Propensity To Adopt a Digital Euro



Source: Sources: ECB Consumer Expectations Survey (CES) and authors' calculations. \*

### Stability in an Era of Digital Fragility

The rise of cryptocurrencies and stablecoins has added a new layer of financial instability. The collapse of TerraUSD in 2022 erased over \$ 30 billion in value within 48 hours, highlighting the risks posed by under-regulated digital assets. These shocks increasingly spill over into traditional finance, as seen during the banking turmoil of 2023.

The digital euro could act as a stabilizing anchor. As a fully regulated and risk-free digital asset, it would provide a safe alternative to speculative instruments. If designed with sufficient usability and flexibility, it could significantly reduce Europe's exposure to volatile private currencies.

However, digitalization also introduces new vulnerabilities. Cyberattacks on payment systems or energy grids could paralyze economic activity. According to ECB estimates, a full shutdown of European payment systems could cost up to 0.5% of GDP per day.

This makes governance crucial. A credible digital euro requires redundant infrastructure, offline payment functionality, and a dedicated crisis-response framework capable of acting within hours, not days.

### Innovation, Inclusion, and Europe's Long-Term Growth

Beyond stability, the digital euro could become a catalyst for innovation. The integration of smart contracts would enable programmable payments, allowing public funds, subsidies, and social benefits to be distributed automatically under predefined conditions. This could reduce administrative costs, limit fraud, and improve policy effectiveness.

Brazil's DREX already illustrates how CBDs can modernize economic governance, particularly in agriculture and social policy. For Europe, similar mechanisms could support green investment, regional development and crisis relief.

Financial inclusion is another key dimension. Many Europeans remain unbanked, while cash dependency persists among vulnerable groups. A digital euro, accessible via prepaid cards or public terminals, could ensure participation in an increasingly digital economy without forcing reliance on private platforms.

### **Europe's Choice: Monetary Leadership or Managed Decline**

Central bank digital currencies represent the most profound shift in the global monetary system since Bretton Woods. For Europe, the digital euro is not simply a payment innovation; it is a test of economic ambition.

Used strategically, it could lower transaction costs, strengthen financial stability, enhance inclusion, and increase the euro's share in global reserves. Mishandled, it could leave Europe more dependent on foreign currencies and private platforms than ever before.

The digital euro will not decide Europe's future on its own. But without it, Europe may find that the future of money has already been decided elsewhere.

*Panel a) shows the share of consumers who report having heard of the digital euro. Panel b) is based on CES data from the March 2024 survey round and displays the share of consumers who considered it "likely" or "very likely" (on a five-point Likert scale) that they would use a digital euro for four different use cases: (i) in-person day-to-day payments ("retail"), (ii) online purchases ("online"), (iii) peer-to-peer transactions ("peer-to-peer") and (iv) receiving their salary or wage ("wage"). The dark-blue bar indicates the share of respondents reporting "likely" or "very likely" for at least one of these use cases.*

*\* Notes: The chart shows pooled and population-weighted data from the 11 CES countries collected as experimental data in August 2022, June 2023 and March 2024 (panel a) and March 2024 (panel b).*