P9_TA(2021)0110

Strengthening the international role of the euro

European Parliament resolution of 25 March 2021 on strengthening the international role of the euro (2020/2037(INI))

(2021/C 494/10)

The European Parliament,

— having regard to the Commission contribution to the European Council and the Euro Summit of 5 December 2018 entitled 'Towards a stronger international role of the euro' (COM(2018)0796),

— having regard to the Commission staff working document of 12 June 2019 entitled 'Strengthening the International Role of the Euro — Results of the Consultations' (SWD(2019)0600),

— having regard to the Commission recommendation of 5 December 2018 entitled 'on the international role of the euro in the field of energy' (C(2018)8111) and the accompanying staff working document (SWD(2018)0483),

— having regard to the Paris Agreement of the United Nations Framework Convention on Climate Change (UNFCCC), and to the Sustainable Development Goals (SDGs),

— having regard to Commission Implementing Decision (EU) 2020/1308 of 21 September 2020 determining, for a limited period of time, that the regulatory framework applicable to central counterparties in the United Kingdom of Great Britain and Northern Ireland is equivalent, in accordance with Regulation (EU) No 648/2012 of the European Parliament and of the Council [1], notably recitals (5) and (6) thereof,

— having regard to the European Central Bank (ECB) annual review of 9 June 2020 entitled 'The international role of the euro',

— having regard to its resolution of 12 April 2016 on the EU role in the framework of international financial, monetary and regulatory institutions and bodies [2],

— having regard to its resolution of 8 October 2020 on further development of the Capital Markets Union (CMU): improving access to capital market finance, in particular by SMEs, and further enabling retail investor participation [3],

— having regard to its report of 18 September 2020 with recommendations to the Commission on Digital Finance: emerging risks in crypto-assets — regulatory and supervisory challenges in the area of financial services, institutions and markets [4],

— having regard to its resolution of 13 November 2020 on the Sustainable Europe Investment Plan — How to finance the Green Deal [5],

— having regard to its resolution of 19 June 2020 on Banking Union — annual report 2019 [6],

— having regard to its resolution of 12 February 2020 on the European Central Bank Annual Report for 2018 [7],

— having regard to the State of the Union address of September 2020 [8],

— having regard to the ECB report of October 2020 on a digital euro [9],

(1) OJ L 306, 21.9.2020, p. 1.
(2) OJ C 58, 15.2.2018, p. 76.
(3) Texts adopted, P9_TA(2020)0266.
(4) Texts adopted, P9_TA(2020)0265.
(5) Texts adopted, P9_TA(2020)0305.
(6) Texts adopted, P9_TA(2020)0165.
(7) Texts adopted, P9_TA(2020)0034.
(8) https://ec.europa.eu/info/sites/info/files/soteu_2020_en.pdf
(9) https://www.ecb.europa.eu/pub/pdf/other/Report_on_a_digital_euro~4d7268b458.en.pdf

— having regard to the Adjusted Commission Work Programme 2020 ([10]) (COM(2020)0440),

— having regard to the study requested by its Committee on Economic and Monetary Affairs (ECON) of September 2020 entitled 'Post-COVID-19 Global Currency Order: Risks and Opportunities for the Euro' ([11]),

— having regard to Working Paper 26760 of the NBER series by Ethan Ilzetzki (London School of Economics), Carmen M. Reinhart (Harvard University) and Kenneth S. Rogoff (Harvard Kennedy School) of February 2020 entitled 'Why is the euro punching below its weight?' ([12]),

— having regard to the *Bruegel* policy contribution of 5 June 2020 entitled 'Is the COVID-19 crisis an opportunity to boost the euro as a global currency?' ([13]),

— having regard to the study carried out by its Directorate-General for Internal Policies of the Union (DG IPOL) of 13 February 2019 entitled 'Euro at 20: Background reader — collection of studies and assessments' ([14]),

— having regard to the keynote speech of 5 March 2020 given by European Council President Charles Michel at the Centre for European Policy Studies on the international role of the euro ([15]),

— having regard to the remarks made by President Charles Michel after the European Council meetings of 13 December 2019 ([16]),

— having regard to the in-depth analysis of June 2020 requested by its Committee on Economic and Monetary Affairs as part of the Monetary Dialogue Papers, entitled 'The International Role of the Euro: State of Play and Economic Significance' of June 2020 ([17]),

— having regard to the introductory statement given by ECB President Christine Lagarde at the hearing of its Committee on Economic and Monetary Affairs of 8 June 2020 ([18]),

— having regard to the speech of 7 July 2020 given by Fabio Panetta, Member of the Executive Board of the ECB, entitled 'Unleashing the euro's untapped potential at global level' ([19]),

— having regard to the study by Barry Eichengreen, University of California, Berkeley of April 2010 entitled 'Managing a Multiple Reserve Currency World' ([20]),

— having regard to the *Bruegel* blog post of 3 December 2018 entitled 'The international role of the euro' ([21]),

— having regard to the European Parliamentary Research Service (EPRS) study of January 2020 entitled 'Economic and Budgetary Outlook for the European Union' ([22]),

— having regard to EPRS briefing of 2 July 2019 entitled 'Towards unified representation for the euro area within the IMF' ([23]),

([10]) https://ec.europa.eu/info/publications/2020-commission-work-programme-key-documents_en
([11]) https://www.europarl.europa.eu/RegData/etudes/STUD/2020/652751/IPOL_STU(2020)652751_EN.pdf
([12]) https://scholar.harvard.edu/files/rogoff/files/nber26760_why_is_euro_punching _below_its_weight.pdf
([13]) https://www.bruegel.org/2020/06/is-the-covid-19-crisis-an-opportunity-to-boost-the-euro-as-a-global-currency/
([14]) https://www.europarl.europa.eu/RegData/etudes/STUD/2019/624431/IPOL_STU(2019) 624431_EN.pdf
([15]) https://www.consilium.europa.eu/en/press/press-releases/2020/03/05/keynote-speech-at-europe-s-next-stage-at-the-centre-for-european-policy-studies-ideas-lab-2020/pdf
([16]) https://www.consilium.europa.eu/nl/press/press-releases/2019/12/13/remarks-by-president-charles-michel-after-the-european-council-meetings-on-13-december-2019/
([17]) https://www.europarl.europa.eu/RegData/etudes/IDAN/2020/648806/IPOL_IDA(2020) 648806_EN.pdf
([18]) https://www.ecb.europa.eu/press/key/date/2020/html/ecb.sp200608~4225ba8a1b.en.html
([19]) https://www.ecb.europa.eu/press/key/date/2020/html/ecb.sp200707~3eebd4e721.en.html
([20]) https://eml.berkeley.edu/~eichengr/managing_multiple_res_curr_world.pdf
([21]) https://www.bruegel.org/2018/12/the-international-role-of-the-euro/
([22]) https://www.europarl.europa.eu/RegData/etudes/STUD/2020/646139/EPRS_STU (2020)646139_EN.pdf
([23]) https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/637969/EPRS_BRI(2019) 637969_EN.pdf

Thursday, March 25, 2021

— having regard to the briefing by the Economic Governance Support Unit of DG IPOL of October 2020 entitled 'Guidance by the EU supervisory and resolution authorities on Brexit' ([24]),

— having regard to the data of the International Monetary Fund (IMF) on currency composition of official foreign exchange reserves (COFER) ([25]),

— having regard to Eurostat news release 84/2020 of 19 May 2020 entitled 'The 2017 results of the International Comparison Program' ([26]),

— having regard to the Eurostat news release 137/2020 of 16 September 2020 entitled 'Euro area international trade in goods surplus EUR 27.9 bn' ([27]),

— having regard to Rule 54 of its Rules of Procedure,

— having regard to the report of the Committee on Economic and Monetary Affairs (A9-0043/2021),

A. whereas in its 20 years of existence, the euro has become a positive symbol of Europe's unity, integration and economic strength, and of its position in the world, becoming a channel for the proliferation of the European values of democracy, free markets and international cooperation;

B. whereas the euro is the official currency of the euro area, which currently comprises 19 out of the EU's 27 Member States, and is supported as a common currency by a majority of citizens in all euro area Member States ([28]); whereas Bulgaria, Croatia and Denmark have anchored their currencies to the euro through the Exchange Rate Mechanism (ERM II) and whereas the euro is also the official currency ([29]), or 'de facto' currency ([30]) of certain non-EU territories; whereas the decision by developing countries to peg their currencies to the euro can influence their economies and long-term prospects for sustainable development;

C. whereas despite the euro area's economic size and influence in global trade, the euro lags behind the US dollar by a wide margin in terms of its use as an international reserve currency ([31]) and invoicing currency ([32]), and in its share of international exchange transactions and debt securities ([33]), but ranks almost equally compared to the dollar in terms of proportion of international payments; whereas the euro remains the second most important currency in the international monetary system;

D. whereas the euro's global potential has not been fully reached, and its benefits are shared unevenly among the euro area members;

E. whereas the ECB's composite index summary on the international role of the euro suggests that the rise of the euro as an international currency peaked in 2005, that its internationalisation went into reverse thereafter, and that the euro has not since returned to its previous status; whereas the COVID-19 crisis has provided a renewed focus for the argument for a greater international role for the euro;

([24]) https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/651369/IPOL_BRI(2020) 651369_EN.pdf
([25]) https://data.imf.org/?sk=E6A5F467-C14B-4AA8-9F6D-5A09EC4E62A4
([26]) https://ec.europa.eu/eurostat/documents/2995521/10868691/2-19052020-BP-EN.pdf/bb14f7f9-fc26-8aa1-60d4-7c2b509dda8e
([27]) https://ec.europa.eu/eurostat/documents/2995521/10569467/6-16092020-AP-EN.pdf/861498a9-16ca-3fd1-6434-aee64bfa7192
([28]) According to Flash Eurobarometer 481 of November 2019, support for the euro has increased: two thirds of respondents think that having the euro is a good thing for their country, a proportion higher than in 2018 in 13 countries (and lower in four countries).
([29]) The euro is used as official currency, on the basis of a formal arrangement with the European Union, by the Principality of Monaco, the Republic of San Marino, the Vatican City State, the Principality of Andorra, as well as by Saint-Pierre-et-Miquelon and the Island of Saint-Barthelemy which are both non-EU French overseas territories.
([30]) The euro has become a de facto domestic currency in Kosovo and Montenegro, replacing the German mark.
([31]) According the IMF COFER data release of 30 September 2020, worldwide reserves in euro amounted to 20,27 % in 2020, in comparison with 61,26 % held in US dollars and 2,05 % held in renminbi.
([32]) The use of the euro as an invoicing currency corresponds to 30 % of global trade transactions in goods, but its use is still limited when transactions do not involve the euro area, unlike the US dollar.
([33]) According to the June 2020 ECB report on the international role of the euro, the share of the euro in the stock of international debt securities amounted to 22 % at the end of 2019, after declining since the mid-2000s, while that of the US dollar has kept increasing, reaching approximately 64 %.

F. whereas an increased international role for the euro will allow the EU to improve the wellbeing of European citizens as defined in Article 3 of the Treaty on European Union (TEU) and to promote an international system based on stronger multilateral cooperation and good global governance as defined in Article 21 of the TEU; whereas the policies put in place to strengthen the international role of the euro should be pursued in line with the general objectives of the Union, including, sustainable development, full employment and industrial policy, as well as aim to improve the social resilience, internal cohesion and functioning of the euro area and promote global economic relations that are in line with the objectives of the European Green Deal, the Paris Agreement, the SDGs and the EU Pillar of Social Rights;

G. whereas current geopolitical shifts and international trade challenges, including the disruption of value chains, technological developments, digital transformation, the rise of China's economic power and the recent geopolitical challenges to multilateralism, may lead to a multipolar world economy, thus paving the way for a potential shift towards a multicurrency reserve system where the euro could offer additional currency choices for market participants globally and allow for reduced global financial risks;

H. whereas a greater international role of the euro and its increased use as a reserve currency would provide a higher degree of financial autonomy to the euro area, protecting it from the use of other currencies as foreign policy tools by other national administrations and increasing the ability of the EU to frame its own policy stance globally;

I. whereas the EU should protect the integrity of its financial infrastructures, the independence of its market operators and the independence of global financial transaction networks from foreign policy unilateralism and potential extraterritorial sanctions by third country jurisdictions, ensuring at the same time the effective enforcement of EU sanctions policy;

J. whereas the decision to use a currency is ultimately determined by market participants' preferences, and confidence in the stability of a currency is a crucial component that influences their choices and an important criterion for central banks and governments in determining the composition of their international reserves; whereas the degree to which a particular currency is used by external actors is connected to the integrity and cohesiveness of the jurisdiction that issues that currency; whereas the stability of a currency is also determined by the stability of the institutions behind it, and more European integration is needed in order to build additional institutional and political stability behind the euro;

K. whereas a broad combination of factors determines the role of international currencies; whereas, historically, countries issuing dominant currencies have been characterised by a large and growing economy, free movement of capital, willingness to play an international role, stability, ability to provide a large and elastic supply of safe assets, developed financial markets, and significant geopolitical presence; whereas, in the long run, the attractiveness of a given currency is also determined by the vitality of the issuing jurisdiction's economy; whereas on the one hand, the size of the euro area economy and the free movement of capital fulfil basic prerequisites allowing for the strengthening of the international role of euro, while on the other hand, financial and capital markets remain fragmented and the heavily bank-based fiscal architecture of the euro area is incomplete, and a reliable supply of high quality assets to be used by global investors is inadequate;

L. whereas a strong international currency allows the jurisdiction to benefit from issuing large amounts of debt securities that are considered on markets around the world as risk free, benefit from so-called 'exorbitant privilege', seigniorage and the ability to sell government securities at low interest rates, and also allows companies to enjoy the stability that comes from being able to conduct international transactions in their own currency;

M. whereas the long-term international role of the euro will largely depend on the euro area's attractiveness as a location to do business and the soundness of the Member States' fiscal policies; whereas the post-pandemic economic recovery requires sound monetary and budgetary policies, both at EU level and in the euro area member states; whereas the right mix of monetary and fiscal policies is needed to build a deeper and more stable economic and monetary union (EMU), which is necessary to increase the euro's influence and the benefits that accrue to euro area members;

Thursday, March 25, 2021

N. whereas the euro area faces significant challenges, especially those related to climate change, cybersecurity, money laundering and terrorism financing, as well as geopolitical challenges including the withdrawal of the United Kingdom (UK) from the EU;

O. whereas the UK ceased to be a Member State of the EU on 31 January 2020; whereas the UK's withdrawal from the EU brings structural changes to the EU financial system and its stability, intensifying the need to continue developing and further integrate the EU's capital markets, with a view to making them attractive, competitive, resilient and sustainable, thereby avoiding market fragmentation and allowing them to compete globally while maintaining a global and cooperative mindset, whereas considerable attention must be given to ensuring that any polycentric financial and capital market system that may result from the withdrawal of the UK does not lead to financial fragmentation; whereas the scaling down of the EU's reliance on UK market infrastructures is paramount to strengthening the international role of the euro;

P. whereas the global recovery remains uneven, uncertain and incomplete, and containment policies in response to the COVID-19 pandemic put further strains on economic recovery, which might affect the positions of the world's currencies;

Q. whereas the post-pandemic economic recovery requires fast implementation of the Next Generation EU recovery plan, which is a European fiscal response addressing structural weaknesses and putting in place policies to enhance sustainable growth and competitiveness, focusing on (i) the just green transition, (ii) the digital transformation, (iii) economic cohesion, productivity and competitiveness, (iv) social and territorial cohesion, (v) institutional resilience and (vi) policies for the next generation, as well as building confidence among investors; whereas such policies may be relevant both to enhancing the stability and attractiveness of the euro globally and to strengthening Europe's economic and financial autonomy; whereas a meaningful fiscal stimulus, including a joint European effort, in conjunction with a monetary policy geared towards preserving price stability, will reinforce EU counter-cyclical lending capacities and consequently have a positive effect on the international position of the euro; whereas the premature withdrawal of fiscal stimulus and the lack of coordination of fiscal action could undermine the social and economic recovery of the Union, exacerbate existing divergences in the euro area, undermining its cohesiveness and integrity, and also weaken the attractiveness of the euro as an international currency;

R. whereas the EUR 750 billion Next Generation EU plan provides a historic opportunity to strengthen the international role of the euro by contributing to increasing global liquidity, supporting counter-cyclical spending, and facilitating European economic coordination; whereas the bond issuance that goes together with the recovery fund will allow global investors to get exposure to the euro area as a whole, also establishing a genuine euro area yield curve;

S. whereas the ECB's pandemic emergency purchase programme is a decisive element in maintaining price stability and ensuring stable sources of funding for the euro area economy;

T. whereas an efficient and developed financial system based on a large variety of financial instruments, well developed capital markets and liquid safe assets can strengthen the international role of the currency union;

U. whereas in some strategic markets, many European companies still do not choose the euro as a reference currency for pricing and trading;

V. whereas new powers to temporarily issue recovery debt, including green and social bonds, which could make the EU the world's biggest issuer of such debt, require adequate implementation and enforcement capacities, as well as strong standards of transparency and traceability of proceeds from green bond issuance, so as to avoid undermining the long-term credibility of the euro as a safe asset currency;

W. whereas the pandemic situation has accelerated the digital transformation of finance; whereas developing digital finance and payments, with strong European players in the lead, would underpin a strong international role of the euro; whereas a digital euro will make the European currency better fit for the digital world, enabling the euro to expand in the area of digital payments, becoming easier to use, less costly and more efficient;

X. whereas studies commissioned by the Economic and Monetary Affairs Committee of the European Parliament have demonstrated that wider use of an international currency bears advantages, but that it also implies global responsibilities, dependencies and costs, which should be taken into consideration in the development of ambitious monetary policies intended to make the euro more competitive;

Y. whereas market-driven shifts towards strengthening the international role of the euro require a strong commitment to open and free international markets, reinforced by targeted facilitating policies, both at EU and Member State level, that are aligned with this objective and that are part of a comprehensive road map;

Benefits and challenges of strengthening the international role of the euro

1. Draws attention to the requirement, laid down in the Treaties, for every Member State, except for Denmark, to adopt the single currency once they have met the Maastricht convergence criteria; welcomes Bulgaria and Croatia's entry into ERM II in July 2020 and supports a swift target date for the adoption of the euro in both countries; encourages the Commission, in that regard, to assess the potential impact of further enlargement of the euro area on the process of strengthening the international role of the euro;

2. Stresses the irreversible nature of the single currency; emphasises that the euro is not only a monetary project but also a political one;

3. Is of the opinion that, while not all the effects of the internationalisation of the euro can be easily quantified, strengthening the international role of the euro in terms of its role as an international reserve and invoicing currency and its use in foreign exchange, international debt, and loan markets, can generate benefits both in the short and long term; notes, however, that it also brings risks and responsibilities that must be taken into consideration in the process of complementing market forces with policy measures; underlines, in particular, that a strengthened international currency status of the euro can increase the use of the euro as a reserve currency, provide exorbitant privilege, and lower external financing and transaction costs for currency exchanges, as well as reducing the costs and risks borne by European businesses and households; highlights that a stronger international role of the euro will gradually create deeper, more liquid and integrated European financial markets, making them less vulnerable to exchange rate shocks, which would provide for more reliable access to finance for European business and governments; underlines that a strengthened international currency status of the euro could, in addition, enhance monetary policy autonomy, reinforce its global transmission and render EU monetary policy less dependent on exogenous economic and financial spillovers, as well as improving the liquidity of the monetary system, reducing trading costs and enhancing market efficiency and the euro area's resilience to financial shocks, which in turn would contribute to the EU's monetary and financial stability, in addition to providing a smooth adjustment of macroeconomic imbalances; considers that a strengthened international role of the euro will enhance the EU's ability to frame its own policy stance independently of global developments; takes note, however, that some studies point to the fact that a stronger international role of a currency might lead to seigniorage losses, currency overvaluation, higher capital flow volatility during times of global stress, and increased international responsibilities;

4. Emphasises that a more prominent role of the euro at international level could reinforce the resilience of the international financial system, offering greater choice to market participants around the world and making the international economy less vulnerable to shocks related to the heavy dependence of many sectors on a single currency; contemplates that the internationalisation of the euro could become a key factor in laying the foundation for a revitalised international monetary system, which will continue to rely on a limited number of currencies, making it more balanced and sustainable;

5. Considers that it is in the strategic long-term interest of the euro area and of its Member States to draw all possible benefits from issuing the euro currency, and in particular from its strengthened international role; stresses that for those benefits to materialise, well-orchestrated policy efforts at European and national level are needed, including contributions from the ECB, the Single Resolution Board (SRB), the European Supervisory Authorities (ESAs) and the European Investment Bank (EIB);

6. Points out that, in order to strengthen the international role of the euro, the Union has to further develop and complete the as yet unfinished infrastructure of the common currency and make more progress on its critical functions;

7. Reiterates the need to deepen and complete the EMU, the banking union and the capital markets union (CMU), with a view to enhancing the international competitiveness of European markets, the stability and attractiveness of the euro and, ultimately, the Union's strategic autonomy;

8. Recalls the progress made in building the Banking Union and takes note of the agreement reached in the Eurogroup on the reform of the European Stability Mechanism and the advancement of the entry into force of the common backstop to the Single Resolution Fund; welcomes the ongoing review by the Commission of the crisis management and deposit insurance framework to increase the efficiency, proportionality and overall coherence of the framework to manage bank crises in the EU;

9. Takes note of the request by the Euro Summit of 11 December 2020 to the Eurogroup to prepare a stepwise and time-bound work plan on all outstanding elements needed to complete the banking union; recalls that the banking union still lacks a deposit insurance scheme, as well as a mechanism to ensure that liquidity can be provided to a bank in resolution; stresses, therefore, that finalising the banking union, and most notably putting in place a well-designed system to guarantee and protect EU bank deposits and completing the mechanism dealing with failing banks, will strengthen the international role of euro;

10. Considers that a 'safe portfolio' approach and the empowerment of the SRB through the reform of the resolution framework and setting up a European deposit insurance scheme will contribute to the development of a single market for European banks and break the feedback loop between a Member State and its own financial system, hence increasing the attractiveness of euro-denominated assets and strengthening the international role of euro;

11. Underlines that the international role of the euro would also benefit from tapping the potential of one of the greatest added values of the EU: its single market; calls, to this end, for the completion of the single market;

12. Points out that the completion of the CMU would promote the role of the euro in the international marketplace, as deep and liquid domestic, financial and euro-denominated capital markets are essential for a currency to achieve and raise its international status; underlines that progress in developing the CMU would increase both resilience to, and independence from global developments and the attractiveness of euro-denominated assets; regrets the underdevelopment and segmentation of the euro area's capital markets along national lines, which has resulted in small-sized markets; encourages the strengthening of cooperation on taxation of financial products, calls for the reduction of national options and discretions in order to reduce cross-border barriers and invites efforts to begin a gradual and phased-in minimum harmonisation of national insolvency rules; considers that following the UK's withdrawal from the EU, the Union should spare no effort in enhancing its global competitiveness, building on its strengths to become an attractive market for European and international companies and investors; acknowledges in this context the potential role of the euro in mitigating the impact of the UK's withdrawal on the island of Ireland;

13. Emphasises the need for sustainable, fair and sound economic, fiscal, and productivity and growth-enhancing structural policies, both at EU and Member State level, that are based on a commitment to credible fiscal rules, to maintain the stability and integrity of the euro; welcomes, in this regard, the plan outlined in the Next Generation EU recovery package to use a fiscal impulse, notably borrowing EUR 750 billion from capital markets bonds to finance the recovery from the COVID-19 pandemic and support the green and digital transition; considers that the Recovery and Resilience Fund may improve the functioning of the currently fragmented sovereign debt market, be conducive to the completion of the banking union and support progress towards the completion of the CMU; welcomes, furthermore, the issuance of EUR 100 billion in bonds under the European instrument for temporary support to mitigate unemployment risks in an emergency (SURE); notes that the recent experience with SURE issuance confirms the high level of investor interest in European bonds; acknowledges that financing the recovery plan through a collective response to a common shock is the right approach; highlights that the use of various taxes to increase the EU's own resources is a step in the right direction, and, therefore, one that strengthens the role of the euro; considers that Parliament should be granted a stronger democratic role in the implementation of this process through political scrutiny;

14. Emphasises the need for a credible fiscal framework that reinforces the euro's attractiveness by promoting long-term growth, ensuring stability to improve the sustainability of Member States finances, and minimising redenomination risks; calls, in this regard, for further reflection on the current stability and growth pact framework and its enforcement in light of the challenging circumstances and the legacy issues resulting from the response to the economic crisis caused by the COVID-19 pandemic, which will remain for decades to come; notes that while some of the supportive measures will automatically unwind, choosing the appropriate timeline for the withdrawal of the remaining ones will be essential in order to avoid undermining recovery and growth, which will be fundamentally important for coping with debt after the crisis and bringing it down to sustainable levels;

15. Highlights that an adequate supply of safe assets is a precondition for international currency status, and underlines the limited availability of euro-denominated safe assets; considers that the development of adequate policy tools could facilitate the supply of safe assets, further considers that proposed issuance of a common debt to finance the economic and social recovery will provide an EU-level reserve asset benchmark and increase the supply of euro-denominated safe assets; calls on the European Systemic Risk Board to update its 2018 report of the High-Level Task Force on Safe Assets; encourages the EIB to issue a larger number of euro-denominated bonds, which would improve the availability of risk-free assets denominated in euro;

16. Acknowledges that the euro is already the main currency of denomination for the issuance of green bonds, as according to the ECB, in 2019 over half of the green bonds issued globally were issued in euro; believes that the EU should also become the world leader in setting standards for green bond issuance; calls, therefore, on the Commission to present an ambitious new action plan on sustainable finance and a proposal for a robust EU green bond standard; considers that the consolidation of the EU's role as a global leader and standard-setter for green finance could strengthen the euro as the currency of choice for sustainable financial products, bolstering its international role; applauds the Commission's decision to issue green bonds as an important element of financing the Recovery and Resilience Fund; reiterates that green bonds are debt instruments whose proceeds aim at financing sustainable and environmentally friendly investments; urges the Commission and the Member States to provide investors, through strong standards of transparency and traceability of proceeds, with a strong degree of legal certainty that their investment will be used for its stated purpose; calls, in this context, for the swift completion and implementation of the taxonomy of sustainable economic activities; points to the need to avoid the risk of potential negative liquidity effects that may arise as a result of the fragmentation of European safe assets between green bonds, social bonds and 'standard' bonds;

17. Takes note of the role geopolitics play in the global role of a currency; calls for the strengthening of the geopolitical role of the EU, in order to support, while taking full advantage of, a strengthened role of the euro; highlights that the internationalisation of the euro would provide more space for the EU to influence global geopolitical decisions, which, in turn, could reinforce the global attractiveness of the euro; notes that while the role of geopolitics in the world of today should be part of the reflection on strengthening the international role of the euro, in particular when currency internationalisation might produce positive security effects, the Union should take into account its capabilities in the area of foreign and security policy, while promoting an international system taking into account multilateral cooperation and good global governance;

18. Notes that unilateral application of sanctions by third countries can create a risk of extraterritoriality effects and pose challenges to the decision-making autonomy of the EU and its Member States, and their right to regulate; insists that promoting a greater international role of the euro constitutes a way to circumvent the power of third-country sanctions; welcomes, in this regard, measures already taken by the EU such as the activation of the EU's 'Blocking Statute' ([34]) and the establishment of the Instrument in Support of Trade Exchanges (INSTEX); calls on the Commission to continue its work on both the effectiveness of its own sanctions and the extra-territorial effects of sanctions by third countries on EU operators;

([34]) Council Regulation (EC) No 2271/96 of 22 November 1996 protecting against the effects of the extra-territorial application of legislation adopted by a third country, and actions based thereon or resulting therefrom, OJ L 309, 29.11.1996, p. 1.

19. Is concerned that the EU's fragmented institutional setting and lack of ability to speak as a unified voice within international institutions may undermine the credibility of its monetary and fiscal policies, holding back further institutional development of the euro area as well as the international role of the euro; reiterates the need for more streamlined and codified representation of the EU in multilateral organisations and bodies, most notably the representation of the euro area in the IMF, to help foster the euro's global outreach; considers that, as long as the representation issue is not solved, more effective coordination among the various EU representatives could be conducive to the international role of euro; calls on the Commission to provide detailed answers regarding the concrete actions undertaken to follow up on the proposals made by Parliament in its resolution of 12 April 2016 on the EU role in the framework of international financial, monetary and regulatory institutions and bodies;

Policies strengthening the international role of the euro

20. Underlines that a strengthened international role of the euro could contribute to and enhance the Union's open strategic autonomy; recommends, therefore, actions to both design and implement policy measures that foster the international role of the euro and support market-driven shifts in this direction, while also consolidating the functioning and the cohesion of the euro area internally, and promoting the attainment of important climate and sustainability goals, taking into account specificities of peripheral regions;

21. Believes that in addition to deepening and completing the EMU, policies critical for and conducive to strengthening the international role of the euro could target, inter alia, financial services and capital markets, labour market, payments systems, international trade, energy, digital transformation, the fight against climate change, and foreign and security policies; highlights that such policies must be pursued with the aim of achieving the general objectives of the Union;

22. Notes that strong and competitive financial markets are key to strengthening the international role of a currency, and therefore underlines the need for effective, proportionate and predictable regulation in this area;

23. Recognises that the market for centralised clearing is highly concentrated, in particular for the clearing of euro denominated interest rate derivatives which depends heavily on UK-based central clearing counterparties (CCPs); takes note, in this context, of the Commission's time-limited equivalence decision, and encourages the industry to follow the Commission's call to reduce their exposures and reliance on third country CCPs, in particular over-the-counter (OTC) derivative exposures that are denominated in euro and other Union currencies; supports in this regard the efforts of EU CCPs to build up their clearing capabilities, as well as the efforts of the Commission, the European Supervisory Authority and the ECB to assist and encourage the industry to identify and address in the coming months technical impediments to transferring excessive exposures to the EU; underlines, in this regard, the importance of regulatory cooperation between the EU and the UK, based on a voluntary, non-binding framework outside the Trade and Cooperation Agreement (TCA) which would allow for a dialogue on all relevant regulatory issues while fully respecting each side's regulatory and supervisory autonomy;

24. Notes that the global prominence of a currency is directly linked to the role that the issuing country has in global trade; stresses that the EU, as one of the world's largest trading blocs committed to open and free international markets, could benefit from a strengthened international role of its currency; underlines that encouraging the choice of the euro for trade will reduce exchange risk and other currency-related costs, especially for European SMEs; observes, however, that despite their position as large buyers and producers, European companies sometimes opt to trade in key strategic markets in other currencies or face difficulties for trading in euro due to market structures and path-dependencies; takes note of studies that show that share of euro in invoicing by companies depends on many factors, including the size of the company and the country it is located in, the homogeneity of goods and existing supply chains; calls, therefore, on the Commission to foster the use of the euro in pricing and invoicing in trade transactions, and to make use of the high potential offered by financial instruments denominated in euro, by actively engaging with private stakeholders and trade partners, and by promoting the use of euro in EU trade agreements; further points, in this context, to the potential offered by supply chains that comply with the Union's climate and sustainability goals as well as other relevant standards;

25. Considers that the Commission could further promote the use of the euro in trade pricing and invoicing, and promote euro-denominated investments, by maintaining an open dialogue with private and public stakeholders, national authorities and institutional investors, and by providing comprehensive knowledge and understanding of its initiatives and

various efforts aimed at reinforcing the attractiveness and resilience of the euro area and the euro; finds merit in enhancing the impact of European economic diplomacy by engaging in regular exchanges with G20 partners, as well as neighbourhood and candidate countries, to identify concrete policy actions of mutual interest with a view to stepping up the role of the euro in third countries;

26. Points out that a higher share of energy contracts being traded in euro could enhance the international role of the single currency, and is therefore supportive of policies furthering that goal; stresses, in this regard, the importance of green energy and commodity markets as forerunners for globally traded goods denominated in euro, where the European Union Allowances (EUAs) under the EU emissions trading system (EU-ETS) would help to strengthen the role of the euro in international trade, as well as to achieve EU climate objectives; calls, further, for action to facilitate new innovative contracts, in particular for sustainable energy sources and nascent energy markets, which will provide an opportunity for more energy contracts to be traded in euro, thereby strengthening the international role of the euro; encourages the Commission to continue consultation and the drafting of studies aiming to identify the potential to increase the use of euro in other sectors, notably in transport, as well as agriculture and food commodities, in order to further support and promote the use of euro for this type of contracts; calls therefore for further action to revisit the financial market rules, including the Markets in Financial Instruments Directive ([35]) and Regulation ([36]) (MiFID II/MIFIR), and to simplify and further harmonise the securities markets transparency framework aiming to increase secondary trading in euro-denominated debt instruments, as well as the Benchmarks Regulation, in order to support the development of euro benchmarks for commodity markets, and reinforce the role of the euro as a reference currency;

27. Stresses the role the ECB plays in maintaining trust in the euro and safeguarding monetary autonomy in the global context, as well as, price stability; highlights that a currency that maintains a stable value over the long term fosters such trust; emphasises, in this regard, the importance of the attainment of price stability targets and the credibility of monetary policy; notes, however, that the target for inflation has systematically not been attained;

28. Stresses the importance of the stability of financial markets in the euro area as a precondition for international currency status; highlights the effects of the ECB's monetary policy on the stability of financial markets; welcomes the ECB's quick and substantial monetary policy responses to the COVID-19 crisis taken in an emergency context; acknowledges the positive impact of the ECB's prompt measures for the economic situation and financial stability of the euro area, as well as, for the attractiveness of the euro, by stabilising financial markets, safeguarding the availability of euro liquidity, supporting funding conditions in the euro area economy and globally, shoring up market confidence;

29. Underlines the importance of swap arrangements and repo lines in addressing the shortage in euro funding markets globally, ensuring an adequate supply of euro liquidity, and indirectly enhancing the international role of the euro; signalling a commitment of the Eurosystem to support the liquidity and stability of the financial markets in times of crisis, as well as, the smooth transmission of its monetary policy; calls on the ECB, in this regard, to further expand its swap lines to non-euro area neighbouring countries and beyond; calls on the ECB to explore further ways of strengthening the international role of the euro with a view to increasing its independent policy stance in the global context and strengthen Europe's economic and financial decision-making autonomy;

30. Stresses that having to comply with margin calls from European central counterparties after closing time of TARGET2 (the euro area real-time gross settlement system), with non-euro currencies puts European banks at a considerable disadvantage, especially in times of market stress such as the early weeks of COVID-19; underlines that the extension of TARGET2 opening hours to match exchange market opening hours would strengthen the role of the euro and the autonomy of European capital markets, allowing European banks to avoid resorting to non-euro liquidity in order to comply with CCP margin requirements; welcomes the consolidation of TARGET2-T2S by means of extended opening hours, which has been scheduled for November 2022; urges the ECB and other stakeholders to accelerate the extension of TARGET2 opening hours;

([35]) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, OJ L 173, 12.6.2014, p. 349.

([36]) Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012, OJ L 173, 12.6.2014, p. 84.

31. Stresses that, besides the ECB's primary mandate of maintaining price stability, and its secondary mandate to support the general economic policies in the Union with a view to contributing to the achievement of the objectives of the Union as laid down in Article 3 of the Treaty on European Union, the ECB is tasked with facilitating the smooth operation of payment and settlement systems; underlines the importance of autonomous European payment solutions; calls on the ECB to ensure an adequate balance between financial innovation, stability and consumer protection; welcomes the initiative taken by 16 European banks to launch the European Payment Initiative which aims at creating a unified payment solution for consumers and merchants across Europe;

32. Welcomes the ECB's report on the digital euro, underlining the value a digital currency can add to strengthening the international role of the euro; including people's confidence in the common currency; takes note of the statement by Fabio Panetta, member of the ECB's Executive Board in charge of the Eurosystem High-Level task force on central bank digital currency (CBDC), that the digital euro would complement cash, not replace it; encourages the ECB to continue its work on the digital euro, and looks forward to the ECB's next step in this process, based on the decision by the Governing Council to be issued in mid-2021; underlines the importance of ensuring a high level of cyber resilience and security, and supports the ECB's efforts to promote this; calls, further, for the evaluation of the benefits and drawbacks of the use of digital currency to be continued, with a view to achieving a balance between global competitiveness, innovation, security and privacy;

33. Underlines that a stronger role of the euro in the digital age must be underpinned by innovative digital finance solutions and effective digital payments in euro; calls for this to be promoted through the implementation of comprehensive strategies on digital finance and retail payments; considers that, in view of the digital transformation, the EU should put in place a framework to safeguard financial stability, adhering to the highest standards for cybersecurity and consumer protection, including the protection of privacy and data, as well as to protect the most vulnerable groups, such as the elderly and those with disabilities, who could encounter problems in the use of new technologies; underlines the need to continue the fight against money laundering by setting up a European supervisor and financial intelligence unit, leaving behind the days of economic nationalism that accounts for the current decentralised supervisory system in this area; recognises the EBA's efforts in this regard the establishment of anti-money laundering colleges for supervisors to agree on a common approach, including coordinated actions, information sharing and risk assessment;

34. Takes note of the emergence of crypto-assets and stresses the importance of monitoring their development and the risks of stable coins for monetary sovereignty; acknowledges the monitoring work on crypto-assets by central banks, other authorities and organisations; stresses the need for clear and consistent guidance at EU level on current regulatory and prudential processes, which will promote more innovation, ensure financial stability, and preserve consumer protection; welcomes in this regard the Commission's proposal for an regulation aiming to improve legal certainty in the regulatory treatment of crypto-assets;

35. Welcomes the communication adopted on 19 January 2021 by the Commission on the 'European economic and financial system: fostering openness, strength and resilience', setting out a comprehensive strategy to reinforce Europe's open strategic autonomy in the macro-economic and financial fields; endorses in particular the key actions put forward by the Commission to promote the global use of the euro;

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36. Instructs its President to forward this resolution to the Council and the Commission.