



Geopolitical Risk Index | Case Studies | 2026

DIGITAL EURO

For a Stronger Europe

Geopolitics of Financial Decoupling

This presentation examines how dependence on foreign financial infrastructures within a dollar-dominated economy can expose countries to external political and economic pressures in an era of geopolitical fragmentation.

Starting from the shock of sanctions imposed on Russia in 2022, this presentation traces the evolution of the international monetary system highlighting Europe's reliance on foreign financial infrastructures in a dollar-centred system. This dependence leaves both states and individuals vulnerable to political and geopolitical coercion, as illustrated by the presentation of the case of UN Rapporteur Francesca Albanese.

Increasingly perceived as a strategic risk, this vulnerability has driven a broader trend toward financial decoupling. The presentation will discuss in details the development of China's digital yuan, a state-directed tool for de-dollarisation.

In this context, the analysis concludes with the ECB's Digital Euro project, presented as Europe's strategic response to reclaim monetary sovereignty in an increasingly multipolar world.

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The shock and awe of sanctions on Russia



BANKING EXCLUSION

Russian banks banned from the SWIFT messaging network, cutting them off from international financial transactions.



RESERVE FREEZE

Russia's Central Bank restricted from access to its foreign currency reserves immobilizing **\$300B+** held abroad.



BUSINESS PROHIBITION

Western companies prohibited from most forms of business with Russian entities, isolating the entire economy.

Key Implication: sanctions revealed that **payment infrastructure** is a **geopolitical weapon**. Nations that rely on **foreign-controlled systems**, whether SWIFT, Visa, Mastercard, or dollar reserves are exposed to sudden economic exclusion. This realization has accelerated efforts worldwide to build **sovereign payment alternatives**.



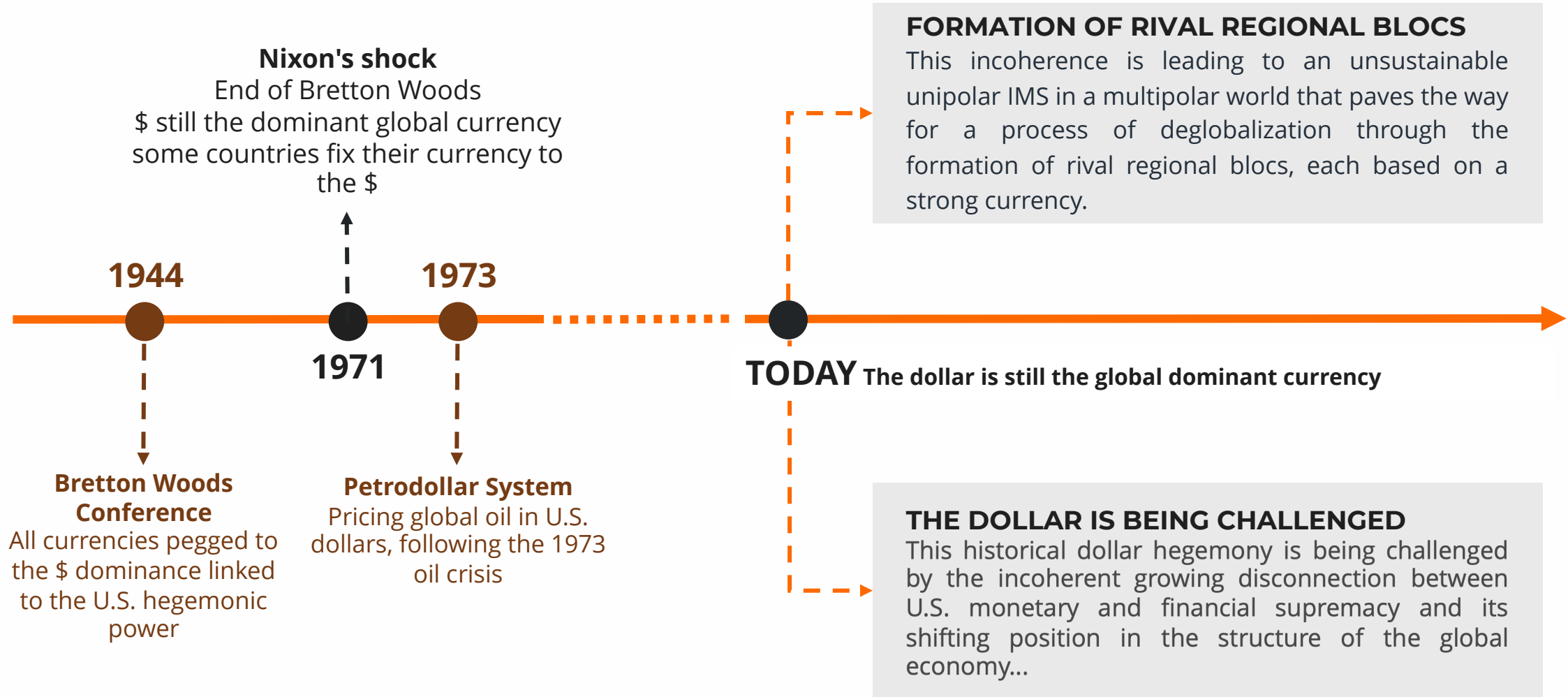
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Europe's dependence on the dollar

Historical Dollar Hegemony in Global Economy and Global Trade ...





A Vector of Power for the United States

ECONOMIC ADVANTAGE

- The Exorbitant Privilege
- Borrow without an increase in borrowing costs

GEOPOLITICAL ADVANTAGE

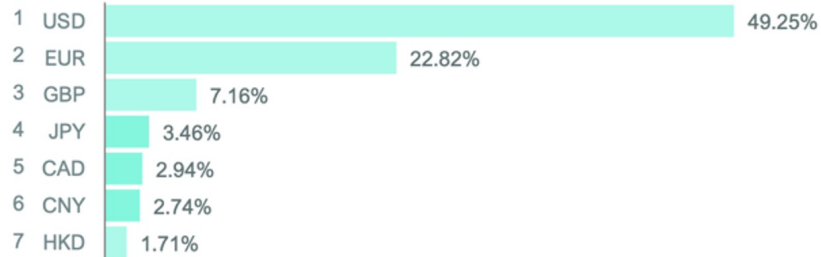
- Structure the conditions of global trade and finance
- Ability of denying access to \$ reserves and the main medium of exchange

Yet this dollar hegemony is becoming incoherent due to the US' shifting position in the structure of the global economy...

U.S. unwillingness to support free trade and adoption of conflicting protectionist policies Leads to an unsustainable unipolar IMS in a multipolar world that paves the way for a process of deglobalization

Currencies' share as global payment's currency. *SWIFT*

February 2026



Currencies' share in trade finance market. *SWIFT*

February 2026





Europe's Dependence on foreign digital payment systems

RETAIL LEVEL

Covers daily payments made by households and businesses

- **Card payments** (Visa, Mastercard, Amex, Stripe, Square,...)
- **Digital wallets** (PayPal, Apple Pay, Google Pay, ...)
- **Credit Transfers** (SEPA, SWIFT)



Visa and Mastercard networks create the biggest dependencies for Europe

Visa and Mastercard together:

- Processed 47% of eurozone card payment value
- Handle 82% of euro-area card transactions
- Processed approximately \$4.7 trillion USD in payment volume across the bloc in 2023
- Have 13 out of 21 eurozone member states routing transactions exclusively through them

WHOLESALE LEVEL

handles settlement between banks

- **TARGET2 system**
- **European Central Bank System**



European monetary infrastructure carries no structural dependency on foreign operators

The concentration of **market power in the hands of two non-European operators** has driven **merchant fees upward**, imposing a direct cost on the real economy. Deep integration with external actors creates dependencies that can be exploited when geopolitical alignments shift. What was once understood as **mutual interdependence** has become a **potential instrument of leverage for the U.S.**



Leading to a structural European dependence and exposure

This dependence is problematic for Europe for three reasons

1

Relying on non-European actors leaves the continent *“dependent on the kindness of strangers”*

2

The growing role of dollar-denominated instruments, including stablecoins, risks further entrenching influence of the US financial system over European transactions.

3

Economic costs, as European banks lose fees, data, and deposits to international card schemes and digital platforms such as Apple Pay or PayPal.



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Francesca Albanese and the Origin of the Case



Francesca Albanese
Hague Group Emergency
Meeting, Bogotá, July 2025

Who is Francesca Albanese?

Francesca Albanese is an Italian international lawyer serving as **UN Special Rapporteur** on human rights in the Occupied Palestinian Territories since 2022. Her mandate involves monitoring, documenting, and reporting violations of international law to the **UN Human Rights Council**.

KEY FACTS



Nationality: Italian international lawyer



Role: UN Special Rapporteur on OPT since 2022



Mandate: Monitor & report violations of international law



Controversy: Called Israeli policies "genocide"; demanded international sanctions

Context: Her reports on the Occupied Palestinian Territories (Gaza, West Bank) alleged involvement of Western companies in supporting the Israeli occupation escalating the dispute from a moral debate to a legal and economic one, directly threatening U.S. corporate interests.



U.S. Response: Sanctions Framework

MEASURE	KEY DETAILS	REACTIONS
 LEGAL BASIS	IEEPA (1977) + Executive Order The President declares a national emergency and activates the International Emergency Economic Powers Act, delegating enforcement to the Treasury's OFAC .	Legal scholars argue the measure violates functional UN immunities for mandate-holders.
 RATIONALE	Secretary Rubio, July 2025 Albanese's reports alleging Western company involvement in the Israeli occupation were seen as a threat to U.S. strategic interests and as politically motivated overreach of her UN mandate.	Amnesty International: " an attack on international justice. " In 2026, family initiated legal proceedings against U.S. officials.
 3 MEASURES	 Travel Ban — Entry to the United States prohibited  Asset Freeze — All U.S. jurisdiction assets frozen  Transaction Ban — U.S. persons barred from any dealings	Albanese: " mafia-style intimidation " framed as retaliation for her UN mandate activities.

Geopolitical Reading: The sanctions represent more than a punitive measure against an individual. They function as an **instrument of structural power** activating U.S. control over the global financial infrastructure to limit the operational reach of anyone linking **human rights violations to economic and corporate accountability**, especially when U.S. strategic interests are implicated.



Financial and Systemic Effects

The most consequential effect is not the formal **freezing of assets**, but **systemic financial isolation**



BANKING System Exclusion

Self-compliance by European banks

European banks (incl. **Banca Etica**) refused to open accounts not due to legal obligation, but fear of losing U.S. market access or facing secondary sanctions.



Albanese unable to hold a basic bank account in Europe, sparking debate on U.S. **extraterritorial reach** in the EU.



PAYMENTS Network Shutdown

Visa & Mastercard OFAC compliance

Visa and Mastercard are required by OFAC to block all transactions for designated individuals. Payment cards become **non-functional globally**, not just in the U.S.



Even with a European bank account, the lack of access to major networks makes it unusable for everyday transactions.



SYSTEMIC Structural Power

Isolation via "self-compliance"

Banks, universities, NGOs, and law firms avoid any engagement to minimize compliance risk. This **multiplier effect** operates without direct U.S. enforcement.



Creates a **deterrent effect** for other UN experts engaging in human rights economic accountability work.

Geopolitical Takeaway: The Albanese case shows how **global finance** has become a key arena of **geopolitical contestation**. U.S. structural power rooted in **dollar dominance** and control over payment infrastructure enables sanctions to operate far beyond formal U.S. jurisdiction, reshaping the limits of action for international advocates, UN experts, and civil society organizations worldwide.



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Russia's gradual and strategic decoupling from the dollar- and Western-centered system

THE 2022 RUPTURE

- **March 2022:** Visa & Mastercard suspended operations in Russia following the Ukraine invasion
- Payment networks can be used as geopolitical instruments, severed quickly, without warning, when control lies outside a jurisdiction's borders

RUSSIA PREPAREDNESS

- **Post-2014 buffer:** After earlier sanctions, Russia built the Mir card network and mandated domestic processing through a state switch
- **By end of 2021:** 113M+ Mir cards in circulation
- **Effect of 2022 suspension:** Disruption limited to borders and domestic transactions continued unaffected

EUROPE'S EXPOSURE

- **Current vulnerability:** European domestic card schemes are nationally siloed and non-interoperable
- Cross-border retail payments depend entirely on Visa & Mastercard



Russia's case as example and the **clear dependency on US payment** services has given new impetus to projects such as the **European Payments Initiative's Wero wallet** and the **ECB's digital euro**, both designed to create payment infrastructure that remains firmly under European governance

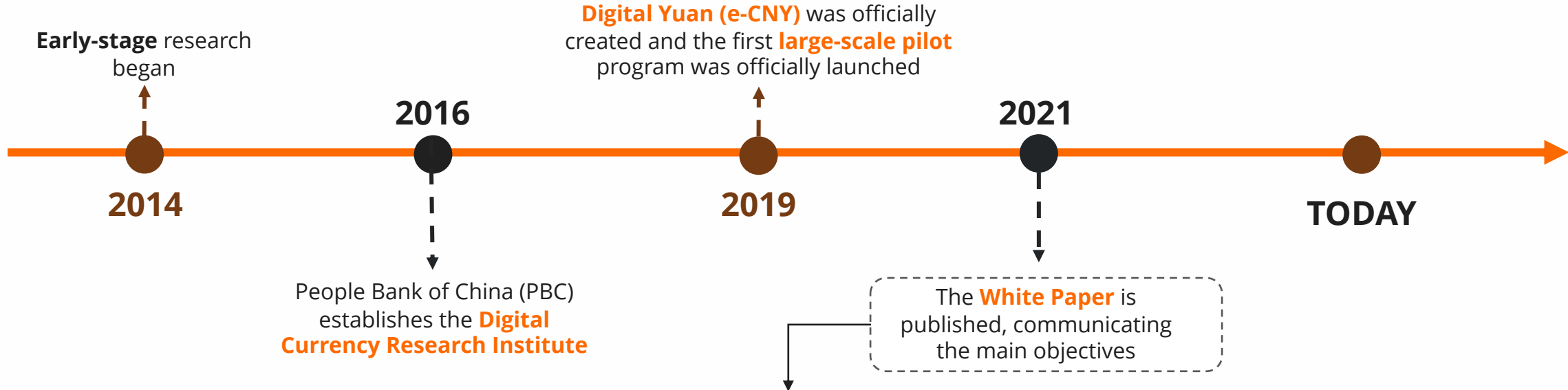


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Digital Yuan Overview and History















E-CNY Key Characteristics





Digital Yuan in Chinese Economics

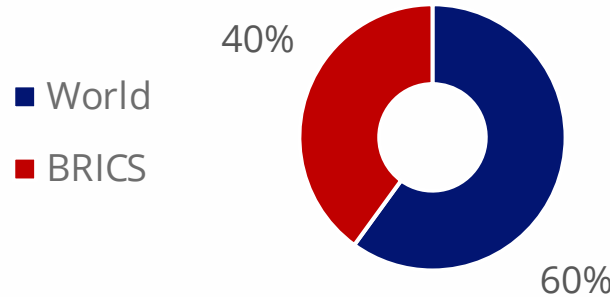
	AIM	KEY FINDINGS	ACHIEVEMENT
	MEETING PUBLIC DEMAND FOR DIGITAL CASH	<ul style="list-style-type: none"> ➤ Majority of people continue to use AliPay and WeChat – offering identical functionalities with no restriction ➤ Consumption restrictions and no interest functionality eliminating saving incentives ➤ Failure to gain traction among public 	
	FINANCIAL INCLUSION	<ul style="list-style-type: none"> ➤ Smart Contract implementation not available in existing systems ➤ No exchanged costs charged to users/merchants ➤ Real time FX transactions 	
	IMPROVING THE PAYMENT SYSTEM	<ul style="list-style-type: none"> ➤ 83% of people already have access to fintech platforms ➤ Target population unable to deploy smart devices 	
	MONEY SOVEREIGNTY AND MO SUBSTITUTION	<ul style="list-style-type: none"> ➤ Limited usage prevents substitution of crypto competitors ➤ Partial sovereignty due to regulatory restrictions on competitors 	
	SUBSTITUTING CASH IN CIRCULATION	<ul style="list-style-type: none"> ➤ No interest paid to avoid destabilizing commercial banks ➤ Smart contract feature may drive eventual higher usage 	
	FIGHTING FINANCIAL CRIME	<ul style="list-style-type: none"> ➤ Small value transactions remain anonymous protecting privacy ➤ Large value transactions are traceable and overseen ➤ Features address money laundering, illegal gambling and tax evasion 	



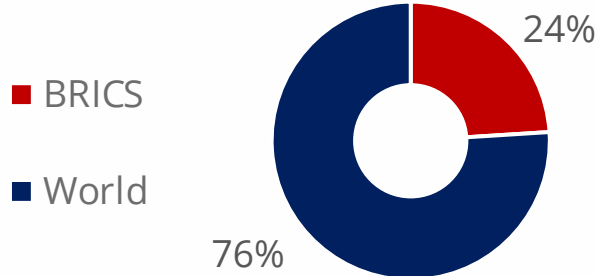
Digital Yuan Geopolitical Strategy

Limited Yuan Contribution Compared to BRICS GDP Contribution and Trade Distribution

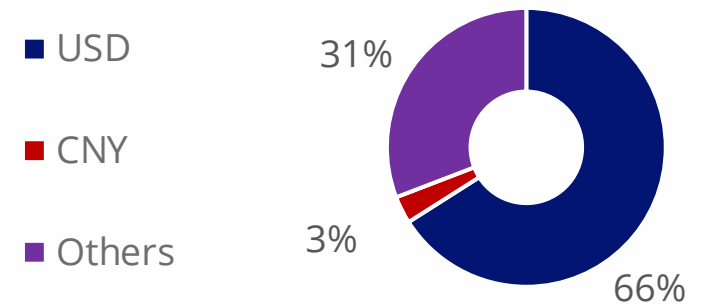
WORLD GDP CONTRIBUTION



GLOBAL TRADE DISTRIBUTION



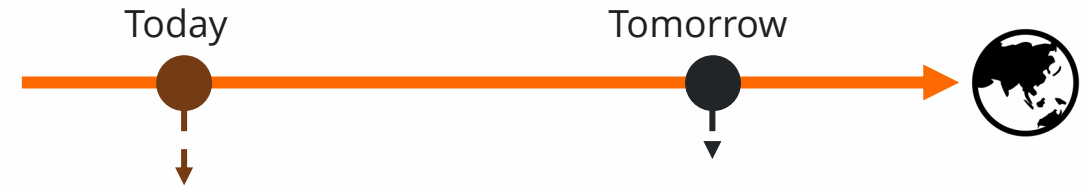
WORLD CURRENCY USAGE



E-CNY as a Tool to Achieve BRICS Real Targets

- E-CNY needs to be evaluated in the context of a broader Chinese **geopolitical strategy**. The new **BRICS framework** highlights a strategy of **de-dollarization**, aiming to increase trade volume of CNY against USD. In the achievement of this ambitious target e-CNY would play a pivotal role inside new infrastructure payments.
- China is building alternative payment channels. In particular, Cross-Border interbank Payment System (**CIPS**) and **mbridge** represent a Chinese attempt to overthrow existing Western payment infrastructures with the aim of influence volumes.
- Through its characteristics, e-CNY enables a **state-directed monetary infrastructure**, allowing PRC to reinforce **public control** over digital payments.
- In addition, e-CNY highlights the strategic importance of payment infrastructures, as countries with limited control over such systems are more exposed to **sanctions, exclusion, and external coercion**.

Chinese Infrastructure: CIPS and mBridge



CIPS 跨境銀行間支付清算有限責任公司
Cross-Border Interbank Payment System

- CIPS is described as milestone in domestic and abroad renmibi payments
- A business volume of CPY 180 Trillions with 195 direct participants underscores its growing importance
- CIPS positive growing trend resonates with Chinese ambitions in the payment systems market

mBridge

- Project mBridge is a multi CBDC initiative involving several authorities
- In June 2024, RPC announced that mBridge has reached the Minimum Viable Product state
- This project highlights the growing Chinese investments in payment platforms



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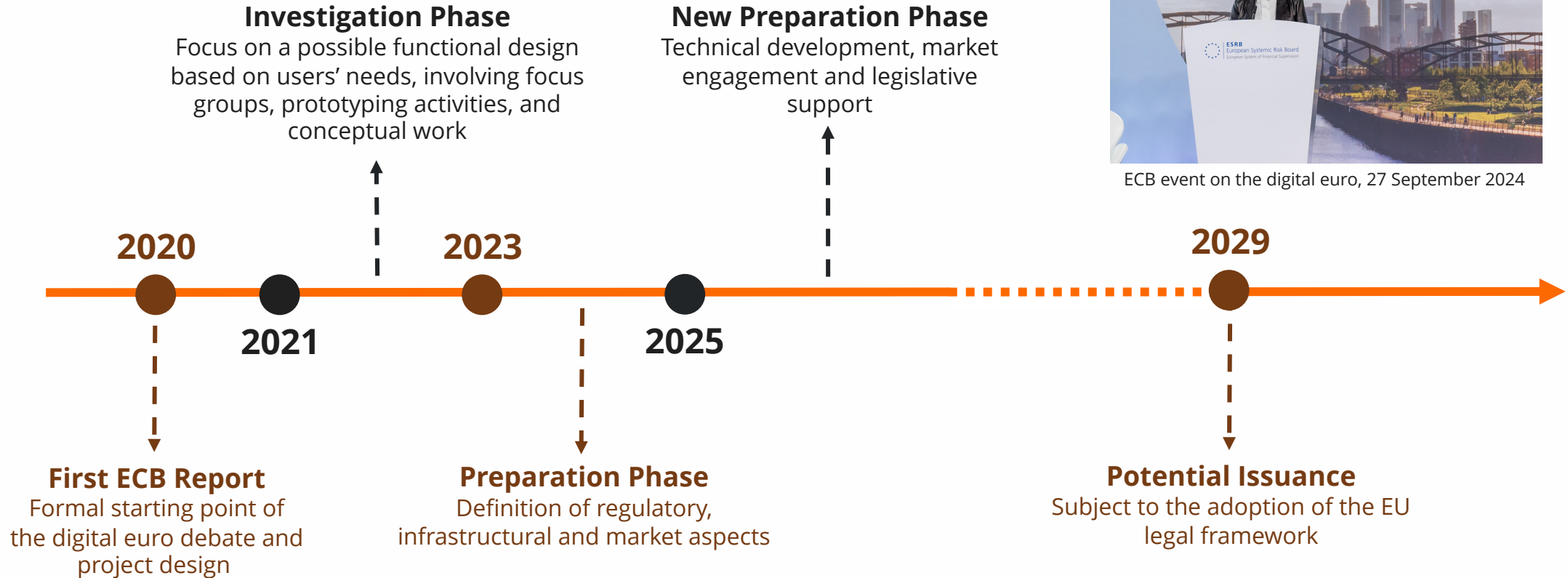
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The Digital Euro



The evolution of the Digital Euro Project



ECB event on the digital euro, 27 September 2024



The transition of the digital euro from strategic vision to operational implementation

A) Preserving the role of public money through a digital counterpart of cash

- **Rationale:** cash usage declines and digital payments increasingly rely on private money and infrastructures
- **Requirement:** a digital version of cash as a direct claim on the Eurosystem, universally accessible that preserves the benefits of paper money
- **Technical Features:** common pan-European rules, Central Eurosystem infrastructure, intermediated service provision, technology-neutral multi-device access

C) Resilience of payments in the event of crises/disruptions

- **Rationale:** exposure of digital payments to systemic disruption in the event of blackouts, cyberattacks or technical failures
- **Requirement:** functional, infrastructural, organisational and cyber resilience
- **Technical Features:** offline functionality, multi-region central ledger, inter-PSP recovery mechanisms, cybersecurity controls

D) Risk of disintermediation and systemic stability

- **Rationale:** risk of deposit migration from commercial banks to risk-free central bank money
- **Requirement:** containment of store-of-value use while preserving efficiency as a means of payment
- **Technical Features:** non-remunerated holding limits and interoperability mechanisms with commercial accounts



The transition of the digital euro from strategic vision to operational implementation

E) Safeguarding privacy without compromising legality and compliance

- **Rationale:** need for higher payment privacy without breaching AML, CTF and fraud-prevention obligations
- **Requirement:** minimal data exposure, separation between user identity and transaction visibility and differentiated treatment of online and offline payments
- **Technical Features:** intermediated identification, pseudonymization of transactions, segregation of processing, Risk monitoring on pseudonymized data

G) Enabling innovation and programmability

- **Rationale:** Need for innovative payment functions without compromising the neutral nature of central bank money
- **Requirement:** programmability compatible with security, privacy, and the public role of central bank money
- **Technical Features:** two-layer architecture, funds reservation, waterfall mechanisms and conditional payment flows



Final Remarks on the Digital Euro Project



PRIVACY CONCERNS

- **Greater transaction traceability** than cash may generate **resistance among citizens** and weaken the social acceptability of the instrument



REMUNARATION AND BANK DISINTERMEDIATION

- **European Commission** frames the digital euro as **non-remunerated** in order to contain **bank disintermediation**
- **ECB resists an absolute prohibition** on interest, considering remuneration a monetary policy instrument to support **price stability** and **transmission effectiveness**



GEOPOLITICAL AND SOVEREIGNTY CRITIQUES

- The project may **underestimate** the systemic challenge posed by **dollar-denominated stablecoins** and the risk of **digital dollarisation**



DIRECT MONETARY INTERVENTION AND INSTITUTIONAL LEGITIMACY

- By allowing more immediate action on retail balances, a CBDC could **blur the boundary between monetary and fiscal action** and expose the central bank to stronger **political conflict**

