

# **Euro in the world and in Russia**

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# Functions of international currency

<b>Money function</b>	<b>Private use</b>	<b>Official use</b>
Medium of exchange	Invoice & vehicle currency	Intervention currency
Unit of account	Quotation currency	Pegging currency
Store of value	Investment currency	Reserve currency

# **Euro and Dollar in the world**

	<b>W</b>	<b>RF</b>
<b>World trade in USD</b>	<b>52</b>	<b>80</b>
<b>Foreign holdings of bank deposits in USD</b>	<b>60</b>	<b>90</b>
<b>Official reserves, 2001</b>	<b>65</b>	<b>80</b>
<b>Forex deals - USD, 2003</b>	<b>95</b>	<b>98</b>
<b>Forex deals – EUR, 2003</b>	<b>30</b>	<b>19</b>

Sources: IMF, CLS, EC, ECB, Bank of Russia

# Russia's aims

- **decrease dollarization**  
**\$60 bln cash**
- **diversify currency structure of foreign trade & trans-border settlements**
- **decrease Forex risks**

# **European Union's aims**

- **euro - international currency**
- **invoice currency in energy trade**
- **euro - regional foreign currency  
(Europe, Mediterranean, French  
Africa, Russia, CIS countries)**

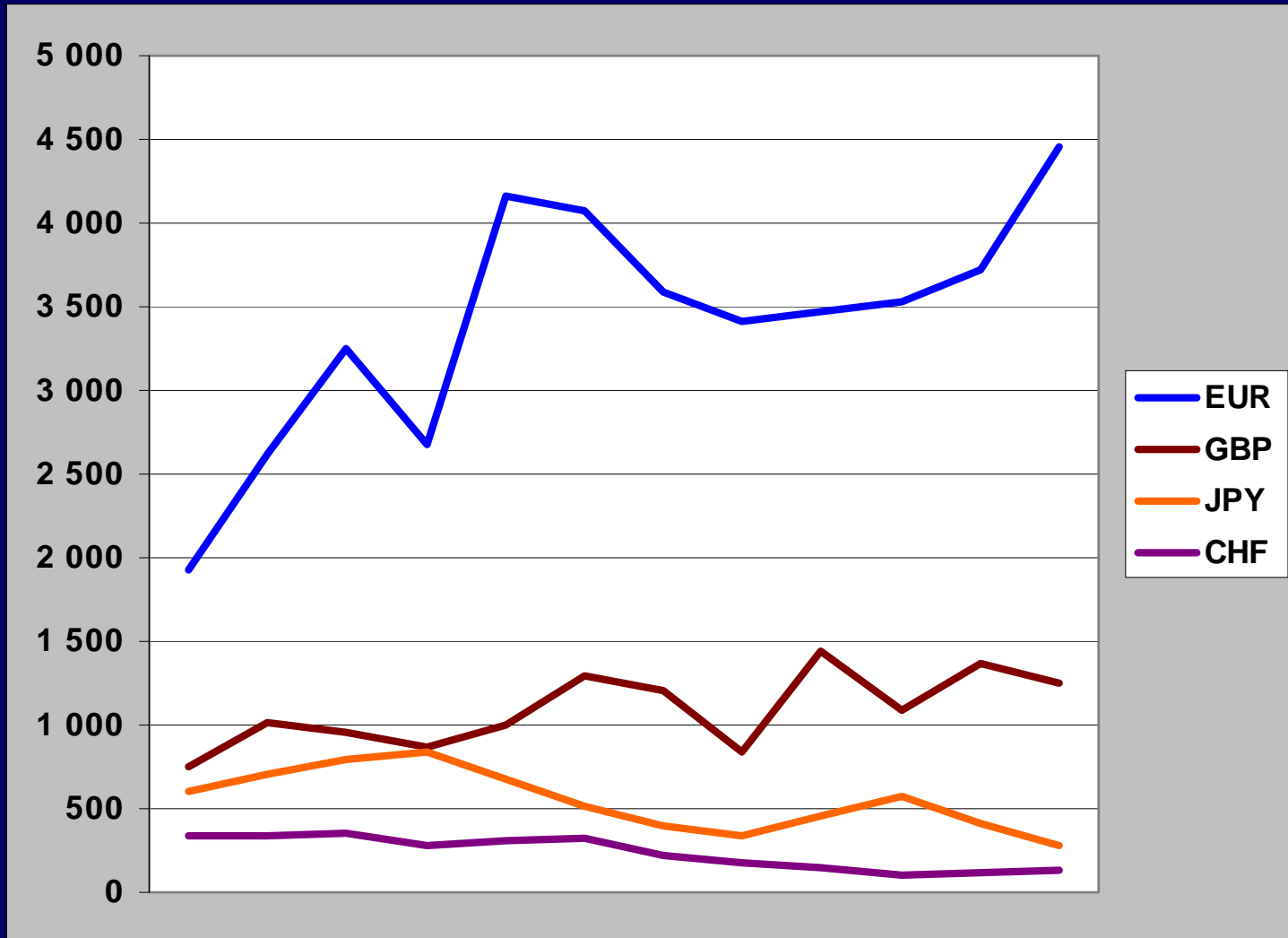
# Opportunities

- **alternative to the dollar**
- **deals with the rest of Europe and Mediterranean**
- **better access to EU financial markets**

# Challenges

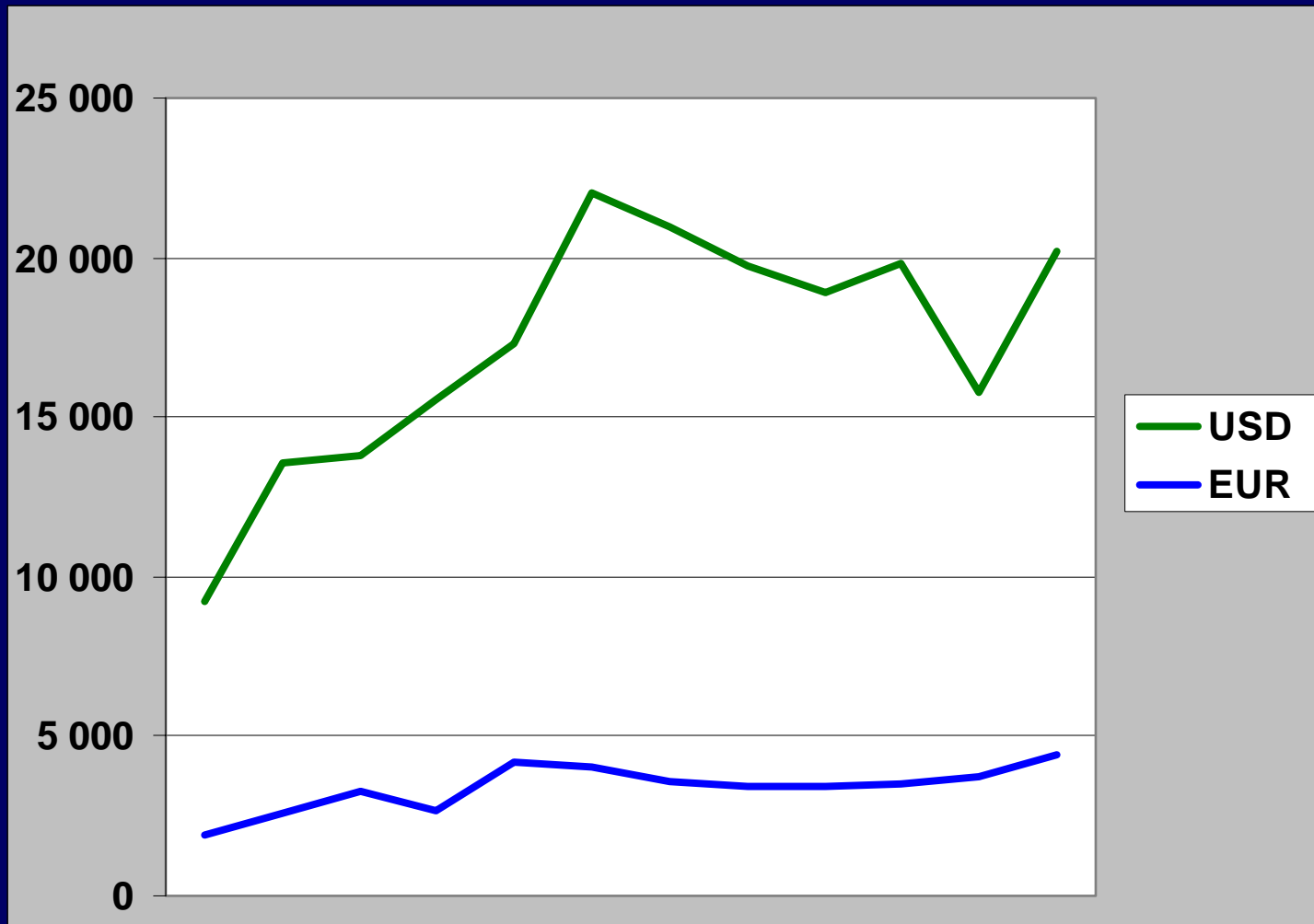
- **rooted dollarisation**
- **small depth of euro-ruble market**
- **higher volatility of exchange rate (managing float – USD)**
- **wider spreads**
- **exports of raw materials**

# Daily sport forex trading in Russia, 2003 (bn USD)

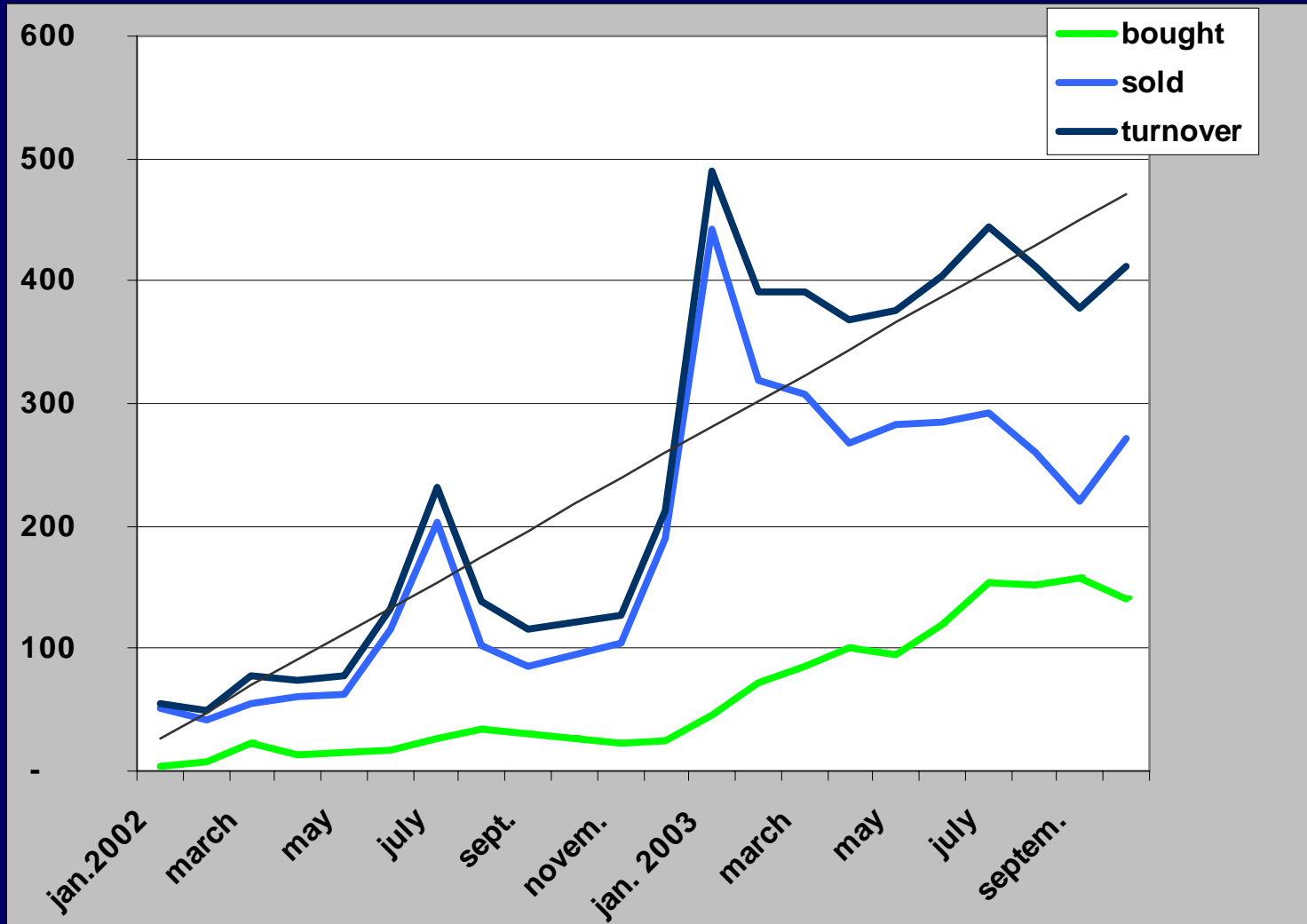




# Daily sport forex trading in Russia, 2003 (bn USD)

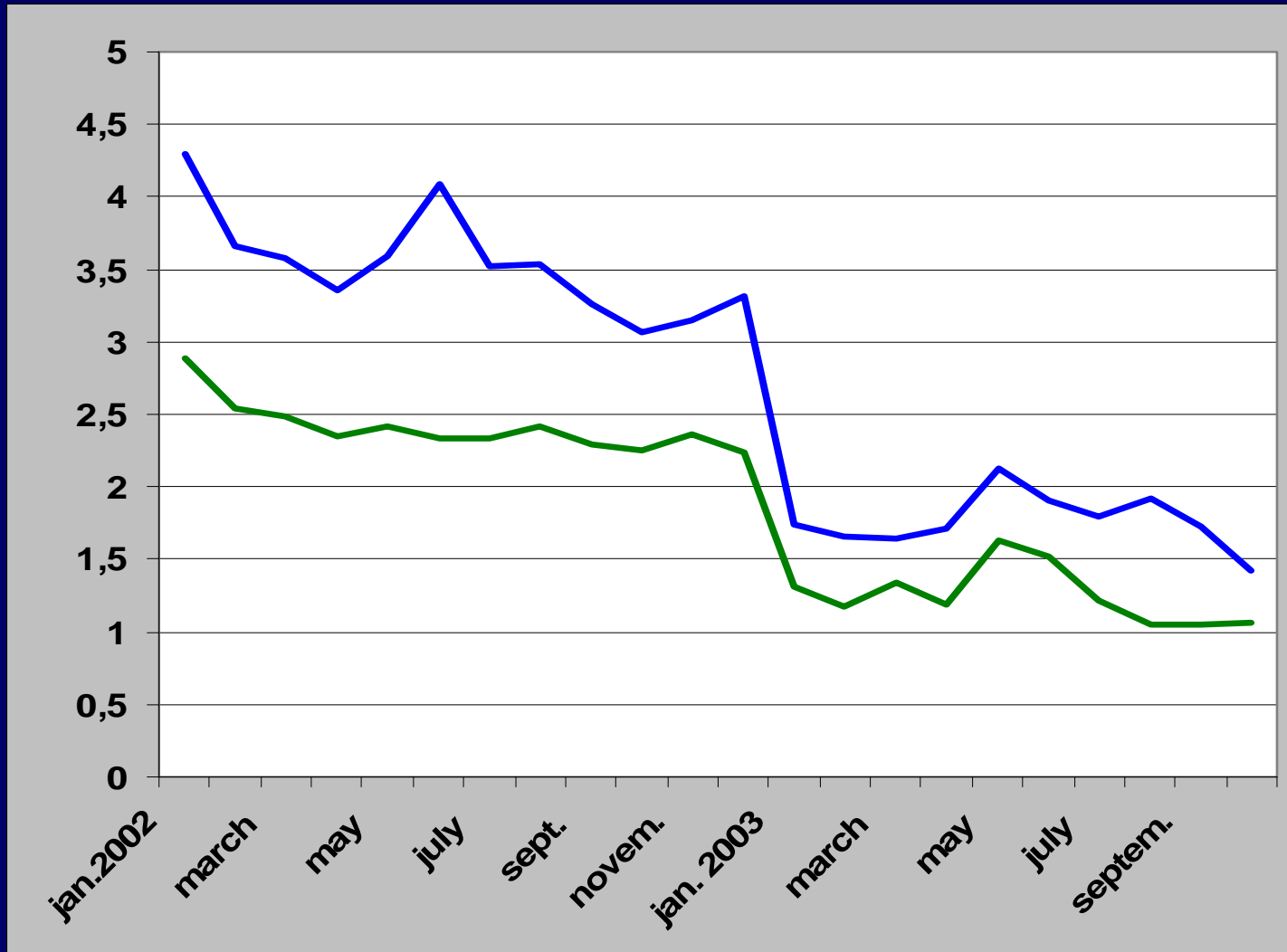


# Cash transactions in euro, monthly volumes bn EUR

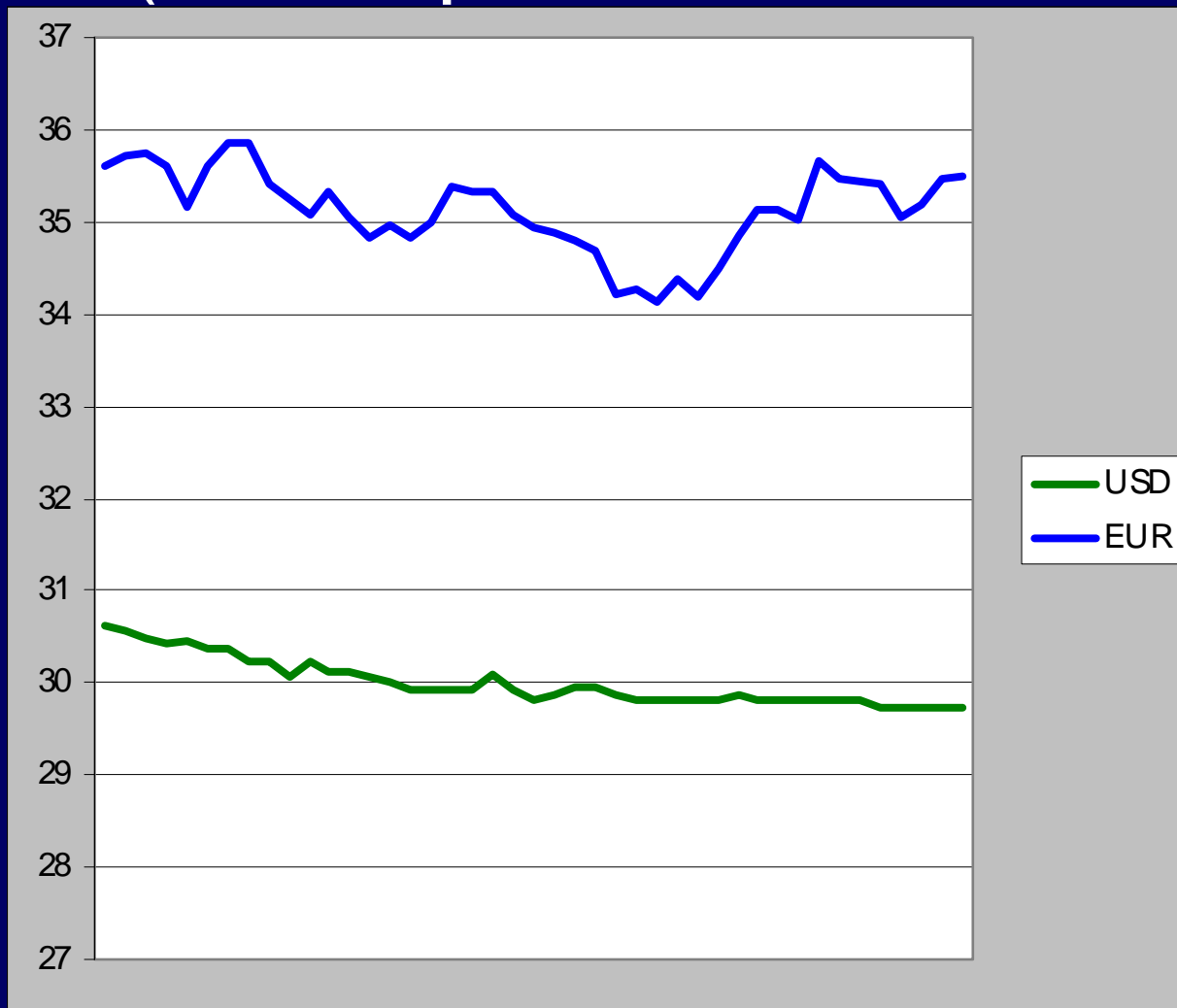


# USD and EUR cash spreads

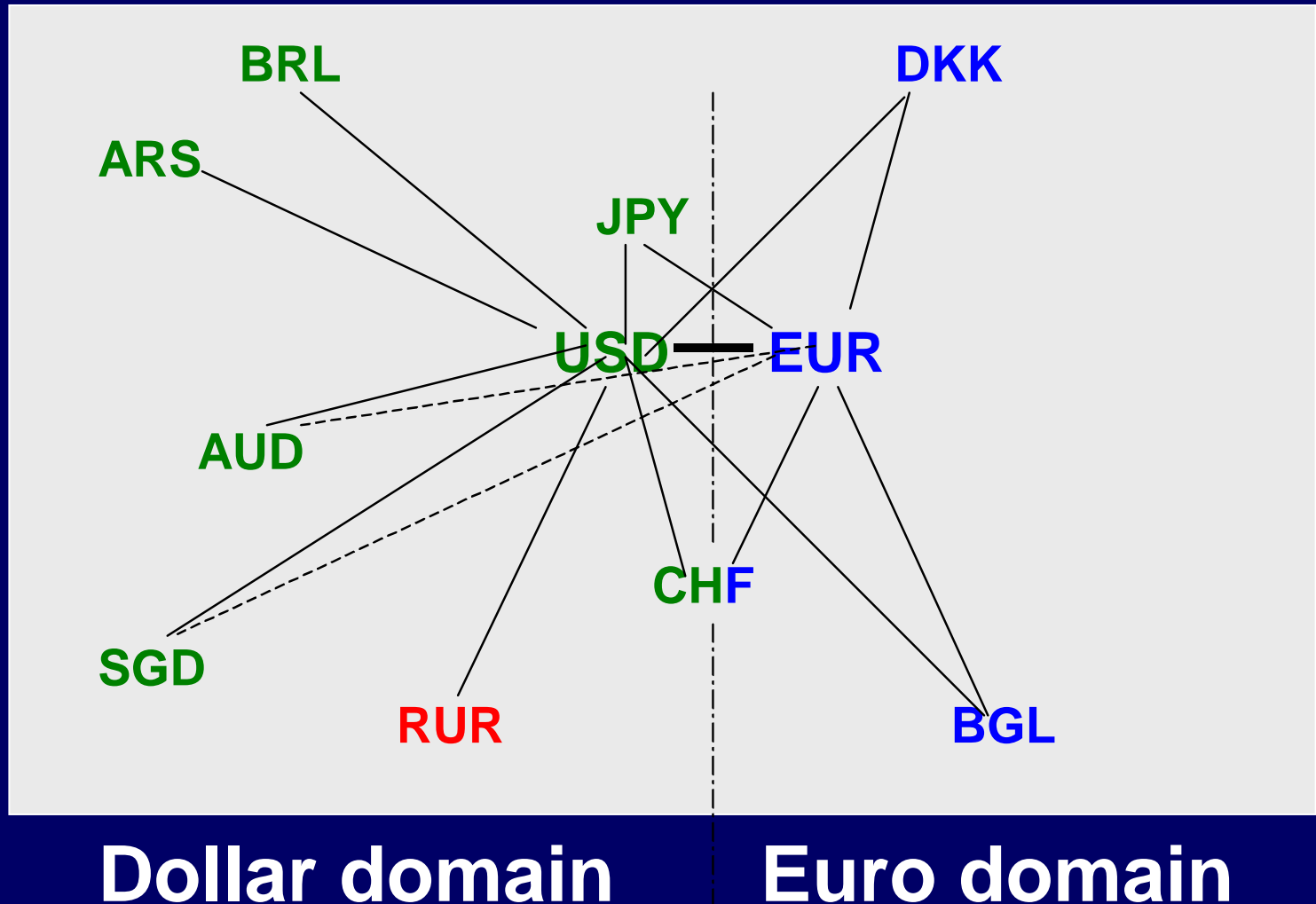
## 2002-2003 (%)



# Daily official rates in Oct-Nov 2003 (rubles per 1 USD and EUR)



# Possible structure of world Forex market



# Conclusions

- **Euro is good for external operations, no internal euroisation**
- **No reasons to join EU and Eurozone**
- **Ruble in Russia and CIS**
- **Euro in gas trade, than – in oil**
- **High XR volatility in future, new risk management is needed**