Forum: Economic and Financial Committee (GA2)

Topic: Addressing the economic consequences of De-Dollarisation Efforts

Student Officer: Pavlos Filios

Position: Co-Chair

PERSONAL INTRODUCTION

Dear Delegates,

My name is Pavlos Filios, and I am an IB-2 student at HAEF-Psychiko College. This year, I have the honor of serving as a Co-Chair of the Economic and Financial Committee at the 5th SCMUN. GA2 is very significant to me, as it was the committee which I attended as a delegate at the 4th SCMUN conference last year.

First of all, I would like to congratulate you on your decision to participate in the 5th SCMUN conference. By participating in MUN conferences, I have deepened my knowledge of global issues related to economics and politics, and I have learned how to pivot my strategies and arguments under pressure. I hope that this conference will deepen your understanding of global economics and provide an experience that you will thoroughly enjoy.

The study guide below provides a detailed explanation of the first topic on the committee's agenda. To fully understand the policy of your country, you should always do your own research. If you have any questions related to the topic or the study guide, feel free to send me an email: pfilios@athenscollege.edu.gr or contact my main chair, grace.konidari7@gmail.com.

I look forward to seeing you all this February!

Best regards,

Pavlos Filios

TOPIC INTRODUCTION

The effort of many countries to reduce the role of the dollar has been one of the most significant issues related to global finance and trade, challenging the financial dominance of the United States Dollar (USD) as the world's primary reserve currency.[1] Currently, the dollar is the reserve currency, which allows the United States of America (USA) to have significantly lower borrowing costs than all other nations. The reason they are able to have lower borrowing costs is that there is a high demand from all other nations trading in dollars. This means that the USA pays lower interest rates on its debt. Global demand for US treasuries keeps interest rates low; this allows the USA to have large trade deficits without triggering a currency collapse, as most other countries have constant demand for the dollar.[2] In addition, most global payments occur through the dollar, since it is the reserve currency, so the USA can impose sanctions, freeze assets, and cut off access to financial markets, as it did to both Iran and Russia. The USA cut Iran off from global payments. Additionally, Iran uses oil as a means of income; since oil is sold in dollars, Iran can't sell it.[3] After the 2022 invasion of Ukraine, around $300 billion of the Russian CB were immobilized; at the same time, they cut off Russia from SWIFT.[4] During periods of financial crisis, when markets panic, investors often seek safety in the dollar, knowing it is a stable investment; thus, they invest in USA bonds and Treasuries, helping the USA in periods of instability.

This strengthens the USA financially, through interest rates, sanctionsons during a period of high instability. In this case, the dollar's exchange rates appreciate and the USA's borrowing costs are lowered.[5] But the reliance on a single currency changes USA monetary policy, and USA sanctions carry risks such as the disruption of the global supply chain or political entrenchment. Finally, the USA has been involved in several

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[1] JP Morgan . "De-Dollarization: The End of Dollar Dominance? | J.P. Morgan." *Www.jpmorgan.com*, 1 July 2025, www.jpmorgan.com/insights/global-research/currencies/de-dollarization.

[2] Wessel, David, and Sam Boocker. "The Changing Role of the US Dollar." *Brookings*, 23 Aug. 2024, www.brookings.edu/articles/the-changing-role-of-the-us-dollar/.

[3] "Sweeping Sanctions on Iran's Energy Exports - United States Department of State." United States Department of State, 9 Oct. 2025, www.state.gov/releases/office-of-the-spokesperson/2025/10/sweeping-sanctions-on-irans-energy-exports/.

[4] Moiseienko, Anton. *Frozen Russian State Assets*. 4 Apr. 2025, verfassungsblog.de/frozen-russian-state-assets/, https://doi.org/10.59704/8b6611ae95a1a8be.

[5] Richmond, Robert J. "What Makes the U.S. Dollar so Special?" *Kellogg Insight*, 16 June 2025, insight.kellogg.northwestern.edu/article/what-makes-the-u-s-dollar-so-special.

geopolitical conflicts, such as those in Afghanistan and Iraq, resulting in higher tension. This has made countries less willing to use the dollar, resulting in the problem of De-Dollarization.

De-Dollarisation can have many forms, some of which include bilateral and regional currency settlements, gold accumulation, gold-backed institutions and regional reserve currencies. Many countries have already started signing agreements to use their own currency in trades. For instance, Russia and China transact mostly in Yuan and Rubles.[6] Specifically, it has been calculated that in 2022, 27.5% of China's and Russia's trade was done in national currencies,[7] while at the same time, India and the UAE have also started experimenting with rupee-dirham oil trade. In addition, many growing economies have started buying gold, slowly building reserves against the dollar.[8] Another form is the proposition by Brazil, Russia, India, China, South Africa (BRICS) common reserve currency, backed by currencies such as the yuan, ruble, rupee, real, and rand.[9]

De-dollarisation comes with significant consequences; some of the most common are reduced US hegemony, potential rise in transaction costs, and a shift in global investments.[10] De-dollarisation will weaken the dominance of the US dollar, currently, because most trades are invoiced in dollars, and lower borrowing costs benefit the USA. As countries shift away from the dollar and adopt the euro and the yuan, demand for USA assets is expected to decrease, which will, over time, lead to higher borrowing costs for the USA and a reduced global reach. Additionally, in the short term, shifting away from the dollar may potentially increase transaction costs. In trades involving multiple currencies, it means more conversions, less liquidity, and higher costs. Building trust in a latent system requires time and infrastructure, so countries may experience a

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[6] Fonseca, Nathallia . "Moscow and Beijing Nearly Eliminate the Dollar from Bilateral Trade, Says Russian Minister." BrasildeFato, 5 Nov. 2026, www.brasildefato.com.br/2025/11/05/moscow-and-beijing-nearly-eliminate-the-dollar-from-bilateral-trade-says-russian-minister/.

[7] Chabarovskaya, Natalia. "Going Steady: China and Russia's Economic Ties Are Deeper than Washington Thinks." CEPA, 16 June 2025. cepa.org/comprehensive-reports/going-steady-china-and-russias-economic-ties-are-deeper-than-washington-thinks/

[8] "Central Bank Gold Reserves by Country | Map | BullionVault." Bullionvault.com, 2025, www.bullionvault.com/gold-news/infographics/which-country-owns-most-gold-gold-reserves-nation.

[9] Bag, Sauradeep. "BRICS' Reserve Currency: An Attempt to Reduce the Dollar's Dominance" Orfonline.org, OBSERVER RESEARCH FOUNDATION (ORF), Sept. 2022, www.orfonline.org/expert-speak/brics-reserve-currency

[10] bgalicia. "Why the US Cannot Afford to Lose Dollar Dominance." Atlantic Council, 20 May 2025, www.atlanticcouncil.org/content-series/atlantic-council-strategy-paper-series/why-the-us-cannot-afford-to-lose-dollar-dominance/

period of instability.[11] Lastly, when central banks reduce their dollar holding and diversify into assets such as gold or the Euro, emerging economies will have greater independence, but introduce volatility, as many assets do not have the deep liquidity of the dollar.

Overall, de-dollarization is a topic that transcends both political and economic boundaries. It will reshape how nations trade, borrow and make agreements. Within the theme of "Beyond Borders," we highlight that the prosperity of the world requires currencies going beyond the boundaries of individual nation-states and advocate more open and balanced financial systems in the world.

DEFINITION OF KEY TERMS

De-Dollarisation

De-dollarisation is the effort by many countries to reduce the role of the US dollar in international trade and transactions. Mainly, countries like Russia, India, China, Brazil, and Malaysia are seeking to set up trade channels using alternative currencies.[12]

Bilateral trade agreements

A bilateral agreement, also called a clearing trade or side deal, refers to an agreement between parties or states that aims to keep trade deficits to a minimum. It varies depending on the type of agreement, scope, and the countries that are involved in the agreement.[13] These agreements are highly relevant as they accelerate de-dollarization, allowing countries to trade in their local currencies.

BRICS currency proposal

[11] Mahle, Melissa B. "Shifts in Global Trade Landscape Accelerating Risks of De-Dollarization." *Steptoe*, 2024, www.steptoe.com/en/news-publications/stepwise-risk-outlook/stepwise-risk-outlook-deep-dive-shifts-in-global-trade-landscape-accelerating-risks-of-de-dollarization.html

[12] Bezek, Ian, and John Divine. "De-Dollarization: What Happens If the Dollar Loses Reserve Status?" *US News & World Report*, U.S. News & World Report, 2024, money.usnews.com/investing/articles/de-dollarization-what-happens-if-the-dollar-loses-reserve-status.

[13] "Bilateral Agreement." *Corporate Finance Institute*, corporatefinanceinstitute.com/resources/economics/bilateral-agreement/.

A currency proposal by the BRICS nations (Brazil, Russia, India, China, and South Africa) aimed at reducing reliance on the US dollar in international trade.[14]

Central bank Digital Currencies (CBDCs)

Central Bank Digital Currency (CBDC) is a new form of money that exists only in digital form. Instead of printing money, the central bank issues widely accessible digital coins so that digital transactions and transfers become simple.[15] This is a new alternative to the dollar that many countries, including the USA, are experimenting with.

Financial sovereignty

Financial sovereignty occurs when a nation issues its own currency, controls its money supply and issues its own debt under its own laws. When it does not depend on foreign currency obligations external jurisdictions or foreign monetary authority for its financial operations.[16]

Foreign Exchange Reserves (FX Reserves)

Foreign exchange reserves are the foreign holdings of the central bank. Foreign holdings include assets that are not denominated in the local currency. The foreign assets of Japan would include the U.S. government bonds held in the Bank of Japan.[17] De-dollarization directly impacts FX reserves, since as a country moves further and further away from the dollar, its FX reserves are repaid, leading it towards autonomy and not dependence.

Liquidity

[14] Ferragamo, Mariel. "What Is the BRICS Group and Why Is It Expanding?" *Council on Foreign Relations*, 26 June 2025, www.cfr.org/backgrounder/what-brics-group-and-why-it-expanding.

[15]Leucci , Stefano. "Central Bank Digital Currency | European Data Protection Supervisor." *Www.edps.europa.eu*
, 9 Feb. 2024,
www.edps.europa.eu/press-publications/publications/techsonar/central-bank-digital-currency_en.

[16] Pistor, Katharina. "From Territorial to Monetary Sovereignty." *Scholarship Archive*, 2017, scholarship.law.columbia.edu/faculty_scholarship/2279/.

[17] Corporate Finance Institute. "Foreign Exchange Reserves." *Corporate Finance Institute*, corporatefinanceinstitute.com/resources/economics/foreign-exchange-reserves/.

Liquidity refers to how quickly an investment can be sold without negatively impacting its price. The more liquid an investment is, the more quickly it can be sold (and vice versa), and the easier it is to sell it for fair value or current market value.[18]
As de-dollarization accelerates, countries under sanctions can liquidate their assets, and they can also access more easily their cash, credit, and settlements.

Monetary Policy

Monetary policy refers to decisions taken by central banks that influence the cost and availability of money in an economy. These decisions refer to the interest rates and the terms and conditions under which commercial banks borrow from central banks. These, in turn, affect the interest rates at which individuals and enterprises borrow from commercial banks.[19] Monetary policy is directly linked with de-dollarization, as when countries move from the dollar, their monetary policy is more independent.

Reserve currency

The reserve currency is mostly kept by central banks and aids in worldwide trade and stabilizing the economies. The major role that the U.S. dollar has been playing since 1944 has been that of the primary reserve currency.[20]

Society for Worldwide Interbank Financial Telecommunication (SWIFT)

The Society for Worldwide Interbank Financial Telecommunications, commonly abbreviated SWIFT, provides the technology utilized in almost all worldwide funds and security transactions. SWIFT operates as an extensive messaging platform facilitating the rapid and reliable transmission and receipt of messages, mostly concerning funds, among financial institutions.[21] The US's influence over SWIFT has motivated many countries to explore alternatives to the dollar.

Sovereign debt

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[18] ---. "Liquidity." *Corporate Finance Institute*, 2024, corporatefinanceinstitute.com/resources/accounting/liquidity/.

[19] Bank of Greece. "Monetary Policy | Bank of Greece." *Www.bankofgreece.gr*, www.bankofgreece.gr/en/main-tasks/monetary-policy.

[20] Chen, James. "What Is a Reserve Currency?" *Investopedia*, 27 May 2022, www.investopedia.com/terms/r/reservecurrency.asp.

[21] Seth, Shobhit. "How the SWIFT System Works." *Investopedia*, 30 Apr. 2021, www.investopedia.com/articles/personal-finance/050515/how-swift-system-works.asp.

The government debt of a country, a sovereign nation. Also called government debt, national debt, public debt, and country debt. The sovereign debt of a country includes all the debt obligations of the country to both its homeland and foreign debtors.[22] De-dollarization acts as a pathway for governments to manage their debt more easily, as they are not tied to fluctuations of a sovereign currency, which they do not control.

Trade deficits

A trade deficit occurs when a country's imports exceed its exports.[23] As countries reduce their dependence on the dollar, they are better able to manage the differences between their imports and exports. To finance the deficit, nations must constantly acquire dollars. When moving to a different currency the pressure to source dollars eases.

BACKGROUND INFORMATION

Historical Background of Dollarisation

When the Bretton Woods system was put in place in 1944, it was an arrangement where the standard was fixed between dollars and gold, with the dollar fixed against gold at $35 an ounce. Therefore, most central banks and countries rely on hold and trust in relation to international trade, borrowing, and financial transactions. This was, however, brought to an end in 1971 when the then US President Richard Nixon suspended the convertibility of the dollar to gold.[24] After the Bretton Woods system collapsed- because is was impossible to sustain, the agreement could hold only if the US had as many dollars as it did gold, but to finance the Vietnam war and cold war commitments, they had more dollars than gold- and the 1973 oil shock, the USA signed a critical deal with industry leader Saudi Arabia to price oil exports solely in dollars and

[22] CFI Team. "Sovereign Debt." *Corporate Finance Institute*, 24 Sept. 2024, corporatefinanceinstitute.com/resources/capital_markets/sovereign-debt/.

[23] Bloomenthal, Andrew. "Trade Deficit." *Investopedia*, 7 Apr. 2025, www.investopedia.com/terms/t/trade_deficit.asp.

[24] Ghosh, Atish Rex. "From the History Books: The Rethinking of the International Monetary System." *IMF*, 16 Aug. 2021, www.imf.org/en/Blogs/Articles/2021/08/16/from-the-history-books-the-rethinking-of-the-international-monetary-system.

invest oil revenues in USA treasury bonds.[25] Then the "petrodollar arrangement" emerged, which ensured constant demand for the dollar, strengthening its financial dominance and recycling oil profits in the USA financial system, reinforcing its status.[26]

Petrodollars are US dollars that are received by oil-exporting nations in exchange for crude oil exports. They are the primary source of revenue for many Organization of the Petroleum Exporting Countries (OPEC) members. It is the use of the dollar as the principal payment for crude oil.[27]

The Beginning of De-Dollarisation

Around 2009, when the financial crisis struck, one global superpower, China, started promoting the use of the Yuan instead of the dollar. They established currency swap lines with over 30 countries, totaling 4.3 trillion yuan in 2025. They constantly encouraged traders to settle commodity trades in yuan and developed their own payment system, the Cross-border Interbank payment System (CIPS), to reduce the dominance of the USA.[28]

The reason why China started this de-dollarisation movement was related mostly to economic sovereignty and geopolitical leverage. They wanted to escape from the Society for Worldwide Interbank Financial Telecommunication (SWIFT) system and expand their global influence through trade. They wanted to make countries start trading with China in the Yuan.

Another global superpower, Russia, has constantly been trying to diminish the dollar, especially after geopolitical sanctions and tensions. After Crimea's annexation, Russia has begun to reduce its dollar assets. By 2021, they announced that they would have

[25] Corbett, Michael. "Oil Shock of 1973–74." *Federal Reserve History*, 22 Nov. 2013, www.federalreservehistory.org/essays/oil-shock-of-1973-74.

[26] Hung, Tran. "Is the End of the Petrodollar Near?" *Atlantic Council*, 20 June 2024, www.atlanticcouncil.org/blogs/econographics/is-the-end-of-the-petrodollar-near.

[27] Chen, James. "What You Should Know about Petrodollars." *Investopedia*, 19 July 2022, www.investopedia.com/terms/p/petrodollars.asp.

[28] Reuters Staff. "China Ramps up Global Yuan Push, Seizing on Retreating Dollar." *Reuters*, 29 Apr. 2025, www.reuters.com/world/china/china-ramps-up-global-yuan-push-seizing-retreating-dollar-2025-04-29/.

removed all US dollars from their sovereign wealth and, in turn, would invest in the Yuan and gold.[29]

The main reason they wanted to escape the dollar was that their economy depends heavily on gas and oil. By trading such commodities in alternative currencies, they are able to continue trading even if they are under sanctions.

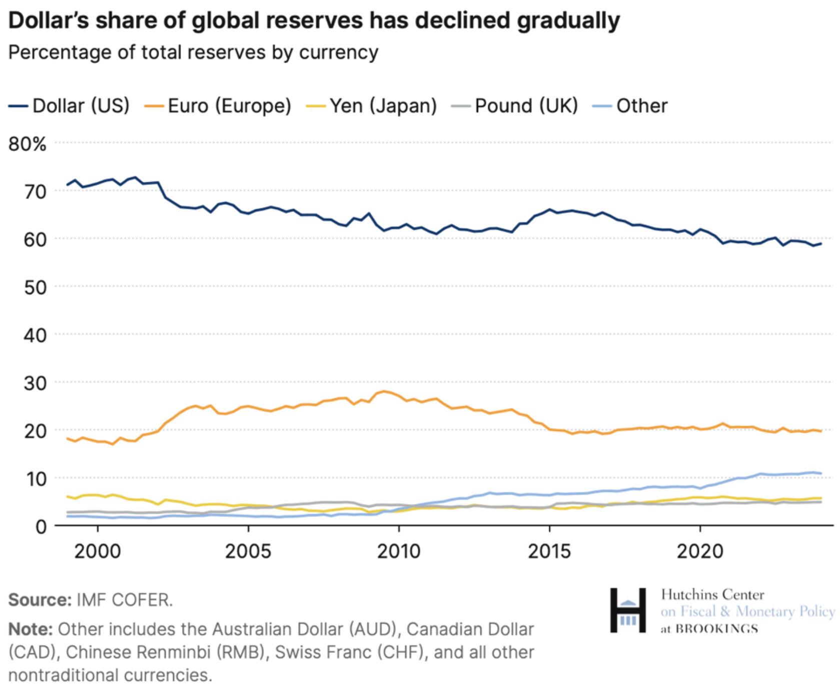

Figure 1: Shows the decline of the dollar as a global reserve[30]

Advantages of dollarisation for the USA

For the USA, it is an "Exorbitant Privilege." There is constant global demand for the dollar and USA treasures specifically around 40% of global debt is in dollars.[31] So, when a country buys a USA government bond, they have to pay interest. Since there is high demand for USA bonds, the price of bonds goes up, and thus the interest rates fall. So the USA can borrow at a lower interest rate, creating a competitive advantage. At the same time, they can have huge trade deficits. A trade deficit occurs when domestic

[29]Brettell, Karen. "Analysis: As Sanctions "Weaponize" U.S. Dollar, Some Treasury Buyers Could Fall Back." *Reuters*, 29 Mar.2022,www.reuters.com/business/finance/sanctions-weaponize-us-dollar-some-treasury-buyers-could-fall-back-2022-03-29/.

[30]Wessel, David, and Sam Boocker. "The Changing Role of the US Dollar." *Brookings*, 23 Aug. 2024,www.brookings.edu/articles/the-changing-role-of-the-us-dollar/.

[31] Siddiqui, Kalim. "The U.S. Dollar and the World Economy: A Critical Review." *Athens Journal of Business & Economics*, vol. 6, no. 1, 5 Dec. 2020, pp. 21–44, https://doi.org/10.30958/ajbe.6-1-2.

demand exceeds domestic production. If the USD is strong, this makes foreign goods cheaper for Americans, and conversely, USA exports are more expensive abroad, increasing imports and decreasing exports. Also, the USA is a demand-driven economy; people buy a lot of imported goods, and USA firms also outsource production to reduce costs. So the more people trust the USA, the bigger the trade deficit they can have.

Also, the dollar gives the USA geopolitical leverage. Most major international transactions are made in USD and rely on USA banks or USA-regulated intermediaries. So if a country wants to access its USA assets, it must comply with USA rules. If they don't, they are cut off from the dollar trading system; the USA can enforce economic sanctions by restricting dollar access, and the countries that have sanctions on them are frozen out of international transactions.[32] This is what happened to both Iran and Russia. Iran was cut off from SWIFT, and their oil exports collapsed, whereas Russian banks were cut off from USA clearing, so their ability to transact vanished.

Advantages of dollarisation for countries that use the dollar

At the same time, the use of the dollar is also very beneficial for the countries that use it. It reflects the size and stability of the USA economy, making it a reliable place to store money for both investors and banks worldwide.[33] The usage of the dollar also reduces conversion costs and exchange risks for countries. Currently, 54 % of global trade and 58% of international payment transactions are denominated in the dollar, simplifying transactions.[34]

Finally, the USA offers the world's largest and most liquid market, run on the dollar, which benefits countries that are investing.[35] The dollar is generally easily convertible, since it is globally accepted, globally trusted, and globally needed, and the US Federal

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[32] Wessel, David, and Sam Boocker. "The Changing Role of the US Dollar." *Brookings*, 23 Aug. 2024, www.brookings.edu/articles/the-changing-role-of-the-us-dollar/.

[33]Wessel, David, and Sam Boocker. "The Changing Role of the US Dollar." Brookings, 23 Aug. 2024,www.brookings.edu/articles/the-changing-role-of-the-us-dollar/.

[34] Wessel, David, and Sam Boocker. "The Changing Role of the US Dollar." Brookings, 23 Aug. 2024,www.brookings.edu/articles/the-changing-role-of-the-us-dollar/.

[35] Wessel, David, and Sam Boocker. "The Changing Role of the US Dollar." Brookings, 23 Aug. 2024,www.brookings.edu/articles/the-changing-role-of-the-us-dollar/.

Reserve extends swap lines in periods of crisis to provide liquidity for both central banks and governments.[36]

Disadvantages of the Dollar for the USA

The usage of the dollar has one main disadvantage for the USA. When the dollar is strong, it makes exports very expensive, making it difficult for the USA to export and manufacture. This aids trade deficits as cheap imports flood the US market, while exports struggle.[37] In addition, the USA must constantly run current account deficits in order to supply the world with dollars. This grows the USA's debt and they are reliant on foreign treasury buyers.

Disadvantages of the Dollar for other countries

For other countries that rely heavily on the dollar, they are exposed to US monetary policy and US economic conditions.[38] For instance, if the FED cuts interest rates, as it did on September 17 by decreasing interest rates by 0.25%, or if the dollar appreciates, as it did in early 2025, reaching a high of 109.98[39], it will trigger capital outflows and currency depreciations in emerging markets. In many cases, such as Argentina, Egypt, or Turkey, a surging dollar makes their dollar-denominated debts much more expensive to repay.[40] In addition, most commodities, such as gold, silver, and wheat, are traded in dollars, so countries have to align with US financial conditions to maintain stability. This dollar dependence means that countries import the US inflation and deflation cycles, and have less control over their own monetary policy.[41] For example, this dependence showed its destructive nature during the great depression. According to the economic paper "The Gold Standard and the international dimension of the Great Depression" by Economists Luca Pensieroso and Romain Restout, countries tied with the US gold-standard system suffered when the dollar system had shocks.[42]The last US shock was in early 2022, when inflation reached a high of 9.1%, caused by supply chain

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[36] Wessel, David, and Sam Boocker. "The Changing Role of the US Dollar." Brookings, 23 Aug. 2024,www.brookings.edu/articles/the-changing-role-of-the-us-dollar/.
[37] https://www.congress.gov/crs-product/IF11707
[38] Wessel, David, and Sam Boocker. "The Changing Role of the US Dollar." Brookings, 23 Aug. 2024,www.brookings.edu/articles/the-changing-role-of-the-us-dollar/.
[39] https://tradingeconomics.com/united-states/currency
[40] https://www.congress.gov/crs-product/IF11707
[41] Wessel, David, and Sam Boocker. "The Changing Role of the US Dollar." Brookings, 23 Aug. 2024,www.brookings.edu/articles/the-changing-role-of-the-us-dollar/.
[42]https://www.cambridge.org/core/journals/macroeconomic-dynamics/article/abs/gold-standard-and-the-international-dimension-of-the-great-depression/C72526321C35F1D057C3DE772578EE42?

fractures due to COVID and the energy shocks from Russia's invasion of Ukraine. Finally, the US has sanction power, since the dollar is the reserve currency, a feature that incentivizes nations to move away from the dollar. The USA can freeze a nation's assets if it doesn't comply with its rules and can remove it from the global trading system. Many countries constantly fear that their dollar reserves could be frozen in a period of crisis or tension.[43] This happened to Russia after its invasion of Ukraine .When sanctions were imposed, central banks shifted their reserves from dollars to other assets that foreign governments cannot seize, such as gold or other government bonds.[44]

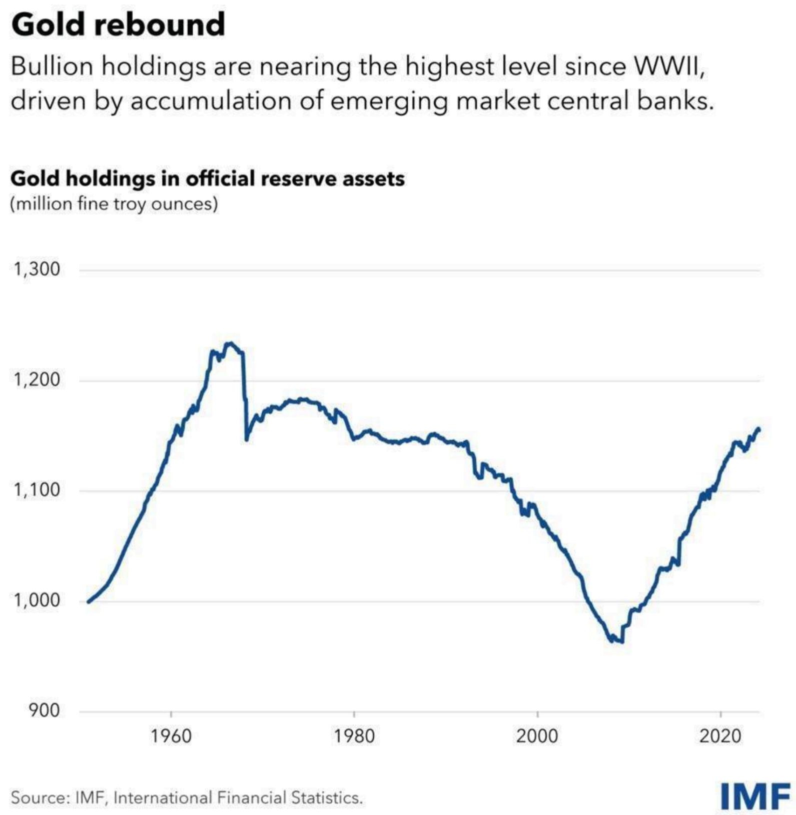

Figure 2: Shows the increase in gold holdings from central banks.[45]

[43] Nelson, Rebecca, and Martin Wiess. "The U.S. Dollar as the World's Dominant Reserve Currency." *Congress.gov*, 2025, www.congress.gov/crs-product/IF11707.

[44] Arslanalp, Serkan, et al. "Dollar Dominance in the International Reserve System: An Update." *IMF*, 11 June 2024, www.imf.org/en/Blogs/Articles/2024/06/11/dollar-dominance-in-the-international-reserve-system-an-update.

[45] Arslanalp, Serkan, et al. "Dollar Dominance in the International Reserve System: An Update." *IMF*, 11 June 2024, www.imf.org/en/Blogs/Articles/2024/06/11/dollar-dominance-in-the-international-reserve-system-an-update.

TIMELINE OF EVENTS

Date of the Event	Event
22 July 1944	Establishment of the Bretton Woods system cemented the USA's global financial dominance.[46]
15 August 1971	Collapse of the Bretton Woods system, dollar-gold exchange suspended. The US still remains at the top through the "Petrodollar" system.[47]
1 January 1999	Introduction of the Euro as a potential rival of the dollar.[48]
2008	The global financial crisis started, and then major superpowers Russia and China began to diversify away from the dollar.[49]
21 July 2015	BRICS New Development Bank created[50], first sanctions placed on Russia.[51]
6 August 2018	Sanctions were placed on Iran. Iran got removed from SWIFT, and the Central Bank of Iran got blocked from all US dollar transactions.[52]

[46] Ghizoni, Sandra. "Creation of the Bretton Woods System." *Federal Reserve History*, 22 Nov. 2013, www.federalreservehistory.org/essays/bretton-woods-created.

[47] Office of the Historian. "Nixon and the End of the Bretton Woods System, 1971–1973." *State.gov*, 2019, history.state.gov/milestones/1969-1976/nixon-shock.

[48] European Union. "History and Purpose." *European-Union.europa.eu*, European Union, 2023, european-union.europa.eu/institutions-law-budget/euro/history-and-purpose_en.

[49] Liu, Zongyuan Zoe. "China Wants to Ditch the Dollar." *Www.noemamag.com*, 11 Jan. 2024, www.noemamag.com/china-wants-to-ditch-the-dollar/.

[50] "Brics Countries Launch New Development Bank in Shanghai." *BBC News*, 21 July 2015, www.bbc.com/news/33605230.

[51] "Ukraine and Russia Sanctions." *2009-2017.State.gov*, 20 Jan. 2017, 2009-2017.state.gov/e/eb/tfs/spi/ukrainerussia/.

[52] "Re-Imposition of the Sanctions on Iran That Had Been Lifted or Waived under the JCPOA | Office of Foreign Assets Control." Ofac.treasury.gov, ofac.treasury.gov/sanctions-programs-and-country-information/iran-sanctions/re-imposition-of-the-sanctions-on-iran-that-had-been-lifted-or-waived-under-the-jcpoa.

2022	Russian sanctions increased and intensified. [53]They got removed from SWIFT, and there were prohibitions of trading oil especially to G7 nations and members of the EU.
22-24 August 2023	BRICS summit, idea of common currency.[54]
28-29 April 2025	Bilateral trade in local currencies between Russia, China, India, and Brazil.[55]

MAJOR COUNTRIES AND ORGANISATIONS INVOLVED

China

China is at the forefront of de-dollarisation, especially since it is promoting the use of the Yuan in energy trading to enhance the Yuan's global role and consolidate geopolitical alliances with other energy exporters like Russia and Saudi Arabia, and in settlements with partners like Brazil or Russia. China has been reducing its dollar holdings and building alternatives, such as the Cross-border Interbank Payment System (CIPS).[56] In addition, through the Belt and Road Initiative (BRI) and the Asian Infrastructure Investment Bank (AIIB), China finances global projects, such as the Pakistan CPEC energy project and the African renewable energy industrial zones and transport, in Yuan-denominated loans. This expands the Yuan's circulation, particularly in Africa, Asia, and Latin America, in nations struggling with dollar debt and constantly seeking alternatives to the International Monetary Fund (IMF) or the World Bank (WB).[57]

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[53]U.S. Department of State. "Ukraine and Russia Sanctions." United States Department of State, www.state.gov/division-for-counter-threat-finance-and-sanctions/ukraine-and-russia-sanctions.

[54]DUCKENFIELD , MARK . "A COMMON BRICS CURRENCY? LESSONS from the EURO." WAR ROOM, 20 Feb. 2025, warroom.armywarcollege.edu/articles/brics-currency/.

[55] Priyanka Salve, and Anniek Bao. "India Urges BRICS to Tackle Deficits as Bloc Rallies against U.S. Tariffs." *CNBC*, 9 Sept. 2025, www.cnbc.com/2025/09/09/india-china-brics-brazil-trade-trump-deficit.html.

[56] "China Faces a Long Road to De-Dollarization | Geopolitical Monitor." *Geopolitical Monitor*, 21 Oct. 2024, www.geopoliticalmonitor.com/china-faces-a-long-road-to-de-dollarization/.

[57] "DOF - Diario Oficial de La Federación." *Dof.gob.mx*, 2025, www.dof.gob.mx/nota_detalle.php?codigo=5749259&fecha=14/02/2025#gsc.tab=0, https://doi.org/10.18449/2024RP07.

Russian Federation

The Russian Federation has been driving away from the dollar since the first sanctions in 2014, and especially after they intensified in 2022 because of the invasion in Ukraine(removal from SWIFT). When Russia got removed from SWIFT they could not receive or send payment messages, importers and exports could not confirm payments. Currently, Russia makes most of its energy transactions in rubles and the Yuan.[58] The Russian Central Bank has reduced its holdings of Dollars and has increased its reserves in euros, Yuan, and Gold. Prior to the 2014 sanctions, dollars accounted for 40-45% of their reserves[59]; by 2020, it had fallen to less than 20%.[60] By expanding to such alternative assets, they are less dependent on the dollar, the US, and US monetary policy. They are not affected by the volatility of the US financial markets and US geopolitical issues. Beyond the economic considerations, Russia opposes the dollar for geopolitical reasons. The Kremlin official frames the dollar as a "Weaponized Currency," arguing that its use of sanctions makes diversification an act of sovereignty.[61] This means that the US uses the dollar as a strategic tool rather than an economic instrument. Whoever does not follow their rules gets sanctioned.[62] The Kremlin argues that no sovereign state should rely on an external currency controlled by an external government.

United States of America

The United States of America (USA) is in a very critical position, as many global superpowers such as Russia and China are questioning the dollar and diversifying their assets. However, despite this pressure, the US is ensuring that US government bonds remain the largest and most stable pool. At the same time, the U.S. The Federal Reserve

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[58]"Is the Kremlin Overconfident about Russia's Economic Stability?" Carnegie Endowment for International Peace, 2024, carnegieendowment.org/research/2024/03/is-the-kremlin-overconfident-about-russias-economic-stability.
[59]Times, The Moscow. "Russian Central Bank Rebalances Reserves: Less Dollars More Euros." The Moscow Times, 12 Nov. 2014, www.themoscowtimes.com/2014/11/12/russian-central-bank-rebalances-reserves-less-dollars-more-euros-a41280.
[60]Arslanalp, Serkan, et al. "Dollar Dominance in the International Reserve System: An Update." IMF, 11 June 2024, www.imf.org/en/Blogs/Articles/2024/06/11/dollar-dominance-in-the-international-reserve-system-an-update.
[61] "US Dollar Has Become Increasingly "Toxic and Weaponized": Russian Economist - Global Times." Globaltimes.cn, 2024, www.globaltimes.cn/page/202406/1313600.shtml.
[62] Harris, Max. "How America Weaponised the World's Economy." *@FinancialTimes*, Financial Times, 15 Mar. 2025, www.ft.com/content/8cecc6e1-72b0-4ca5-8606-392008bc09c2.

FED keeps monetary policy predictable, reducing risks and making asset pricing more independent. Telling investors and governments that the dollar is the place where they can safely store their assets.[63] Additionally, the US is engaging diplomatically with nations exploring non-dollar trade systems, such as the BRICS. In this way, they keep trade and financial relations attractive.[64] Finally, the US is preparing for a digital world. The FED is researching the "digital dollar" (CBDC) to ensure that, if the world moves towards a digital settlement, the US remains at the forefront.[65]

Chiang Mai Initiative Multilateralization (CMI)

The CMI is the first currency swap by ASEAN +3 countries. It aims to address short-term liquidity difficulties by creating a regional swap line. Thus, it reduces the dependency on US instruments, such as the IMF and the dollar, in crisis situations.[66] Already, countries of the CMI have committed a total of 240$ billion.[67]

Shanghai Cooperation Organization (SCO)

The Shanghai Cooperation Organization (SCO**)**, which includes China, Russia, India, Pakistan, and other Central Asian nations, has encouraged trade settlements in national currencies rather than the US dollar or the Euro. They have discussed the SCO's financial infrastructure and an interbank payment system independent of SWIFT[68] . The SCO acts as the link between the BRICS framework, Central Asian energy exporters, and the Middle East.[69] Iran, a newly admitted member of the SCO, has clearly joined payment discussions, something unsurprising given its exclusion from the dollar

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[63]Bertaut, Carol, et al. "The International Role of the U.S. Dollar – 2025 Edition." Federalreserve.gov, 18 July 2025, www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html.

[64] Hawser, Anita. "Push for Alternatives to US Dollar and New Payment Systems Accelerates as Sanctions Scale." *Thebanker.com*, The Banker, 6 Sept. 2024, www.thebanker.com/content/3e6eeb69-ebdd-5e06-bed0-c94c068645b0.

[65] "Federal Reserve Board - Central Bank Digital Currency (CBDC)." *Www.federalreserve.gov*, 2 Aug. 2024, www.federalreserve.gov/central-bank-digital-currency.htm.

[66] https://aric.adb.org/initiative/chiang-mai-initiative

[67] https://saiia.org.za/wp-content/uploads/2015/04/Policy-Insights-10.pdf

[68] "Joint Communique of the Twenty-Third Meeting of the Council of Heads of Government of Member States of the Shanghai Cooperation Organization." *The Shanghai Cooperation Organisation*, 16 Oct. 2024, eng.sectsco.org/20241016/1574921.html.

[69] Zemanek, Ladislav. "Analytics." *Valdai Club*, 2025, valdaiclub.com/a/highlights/sco-and-the-democratisation-of-the-global-finances/.

system.[70] The aims of SCO are security cooperation, economic integration, political cooperation, and regional security[71]. Concerning security cooperation, it has been moderately successful. It had had sufficient internal security in terms of its security regime and had been shielding Russia from Western influence in Central Asia. However, there isn't any joint defense policy such as NATO; it's less involved due to the India-Pakistan conflict. Economic integration hasn't been successful. China increases its grip in terms of infrastructure; India and Pakistan aren't integrated economically[72]. Concerning political cooperation, it has been moderately successful; it prospers due to the Russian and Chinese ability to shield from 'Western Democratic Pressure.[73]' Finally, in regard to security in the region, it succeeded in coordination efforts in counterterrorism and ensured Afghanistan doesn't spill over into Central Asia[74]. It failed in managing competition between Russia, China, India, and Pakistan[75].

International Monetary Fund (IMF)

The International Monetary Fund (IMF) plays a middle position. It does not promote the dollar but does not support abandoning it. The US is the largest shareholder, holding nearly 16.5 % of the IMF's voting power. At the same time, most IMF loans are denominated in the dollar. Thus, historically, the IMF has been an expression of the dollar. However, in 1969, to reduce reliance on the dollar, the IMF created Special Drawing Rights (SDRs), which are assets whose value is based on a basket of major currencies, such as the Dollar, euro, yuan, yen, and the pound. SDRs were not created to replace the dollar but to act as a supplement.[76] When many anti-dollar movements

[70] WANA. "A Report on Iran's Active Diplomacy at the SCO Summit." *WANA*, 3 Sept. 2025, wanaen.com/a-report-on-irans-active-diplomacy-at-the-sco-summit/.

[71] "Frequently Asked Questions." *The Shanghai Cooperation Organisation*, 27 Nov. 2023, eng.sectsco.org/20231127/1168690.html.

[72] Garlick, Jeremy. Beyond Central Asia: The Ever-Expanding Influence of the Shanghai Cooperation Organization. 21 Feb. 2025, eh4s.eu/publication/beyond-central-asia-the-ever-expanding-influence-of-the-shanghai-cooperation-organization, https://doi.org/10.31175/eh4s.fa95.

[73] "China and Russia Are Using the Shanghai Cooperation Organization to Push Alternative Global Order." Merics, 31 July 2025, merics.org/en/comment/china-and-russia-are-using-shanghai-cooperation-organization-push-alternative-global-order.

[74] Norov, Vladimir. "Shanghai Cooperation Organization Is Playing an Important Role in Ensuring Regional Security and Stability." The Shanghai Cooperation Organisation, 25 Jan. 2024, eng.sectsco.org/20240125/1244550.html.

[75] Alimov, Rashid. "The Shanghai Cooperation Organisation: Its Role and Place in the Development of Eurasia." Journal of Eurasian Studies, vol. 9, no. 2, July 2018, pp. 114–124, https://doi.org/10.1016/j.euras.2018.08.001.

[76] International Monetary Fund. "What Is the SDR?" IMF, 2023, www.imf.org/en/About/Factsheets/Sheets/2023/special-drawing-rights-sdr.

erupted, the IMF noted that such fragmentation would increase global instability. Managing director of the IMF, Kristalina Georgieva, said in 2024 that "The world cannot afford a breakdown into currency blocs."[77]What she meant was that, by breaking into, for instance, a China-Yuan bloc or a US-Dollar bloc, transaction costs would rise, international trade would be more expensive, and exchange rates would be more volatile[78]. The IMF worries a lot that such a fragmentation would limit access to liquidity and damage the predictability of the currency "Monetary environment[79]."

RELEVANT UN TREATIES CONVENTIONS AND RESOLUTIONS

UN GA Resolution A/RES/77/152 (2022) "International financial system and development"

This UN resolution encourages consideration of sustainable financial development and financial stability. It calls out on the role of reserve assets such as SDRs, and ways to increase liquidity for mainly Less Economically Developed Countries (LEDCs). This fits in perfectly with de-dollarisation, as it goes perfectly with the overreliance of countries on any currency, and currently the dollar.[80]

This resolution is not legally binding. General Assembly resolutions serve as recommendations, not obligations; they cannot compel institutions like the IMF to adopt reforms[81]. Also, this resolution advances important principles like equity, inclusion, and reforms of global governance, but offers no enforcement tools, no timeline, and no accountability mechanisms[82]. Finally, this resolution endorses SDG

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[77]Georgieva, Kristalina, et al. "Why We Must Resist Geoeconomic Fragmentation—and How." IMF, 22 May 2022, www.imf.org/en/Blogs/Articles/2022/05/22/blog-why-we-must-resist-geoeconomic-fragmentation.

[78]Georgieva, IMF Managing Director Kristalina. "Outlook for the Global Economy and Policy Priorities, Speech by IMF Managing Director Kristalina Georgieva ahead of the 2024 IMF-World Bank Spring Meetings." IMF, www.imf.org/en/News/Articles/2024/04/11/sp041124-outlook-global-economy-policy-priorities-kristalina-georgieva.

[79]Elliott, Larry, and Larry Elliott Economics editor. "Fragmented World's Rival Blocs May Risk New Cold War, Says IMF Head." The Guardian, 13 Apr. 2023, www.theguardian.com/business/2023/apr/13/fragmented-worlds-economic-supply-chains-rival-blocs-may-risk-new-cold-war-imf-head.

[80] "Document Viewer." Un.org, 2025, docs.un.org/en/A/RES/77/15.

[81] United Nations. "Functions and Powers of the General Assembly." United Nations, 2015, www.un.org/en/ga/about/background.shtml.

[82] "International Monetary Fund." Imf.org, 2025, www.imf.org/en/publications/gfthe.

financing gaps and stable monetary systems. Still, there is no integrated plan for how the UN will align these goals with the mandates of the IMF or the WTO. Overall, this resolution highlights the inequities of the dollar-dominated system and calls for a more inclusive financial system and governance.

UNGA Resolution A/RES/76/190 (2021) "International trade and development"

This UN resolution discusses how the current financial system negatively affects nations and especially Less economically developed countries (LEDCs), in terms of exchange rate instability, dependence on externally priced commodities, and exposure to financial shocks. The resolution explores how LEDCs remain vulnerable because of their imports and debt obligations, and trade flows directly linked to the small number of dominant currencies, directly impacting the import costs due to the interest rate and the appreciation of the dollar. It calls for fairer global trade rules, improved access to financing, and stronger regional cooperation. It is a resolution directly relevant to de-dollarisation as it may be a moment to diversify currencies, increase local currency trades, and alternative payment systems other than the SWIFT.[83]

This resolution directly states that most countries depend solely on the dollar for trade, debt, and commodity pricing. This argument is very important as it validates the main argument about de-dollarisation-that dependence on a currency exposes the nation to instability. In addition, it reflects the long-term concerns of LEDCs, the concentration of monetary power. By giving cover to many alternatives like the BRICS payment systems and local currency settlement, it helps promote de-dollarization efforts. However, like all UN resolutions, it is not legally binding; it cannot force any nation to implement the solutions proposed.[84] Also, while it identifies the issues with having a sole currency, it does not propose concrete alternatives like new currency frameworks or alternative commodity pricing systems. Finally, this resolution is supported by many developing nations as it applies criticism to the dollar-dominated system, but many other developing nations avoid criticism of the dollar system. This reduces the legitimacy and political reach of the resolution.

[83] "Document Viewer." Un.org, 2025, docs.un.org/en/A/RES/76/190.

[84] ---. "Functions and Powers of the General Assembly." United Nations, 2015, www.un.org/en/ga/about/background.shtml.

Addis Ababa Action Agenda – A/RES/69/313

The "Addis Ababa Action Agenda" calls for reforms of the international financial institutions, like the IMF, to aid developing nations and address the imbalances in how monetary decisions are made. Also, the agenda highlights how developing nations that are dependent on the dollar are harmed by volatile exchange rates and the global dominance of a small number of reserve currencies. Finally, it focuses on fair debt restructuring, stronger safety nets, and alternative sources of global liquidity.[85]

The agenda does not use the word de-dollarisation, but it promotes regional mechanisms, currency swap agreements, which reduce the reliance on a dollar-based system. In addition, the agenda highlights problems like unequal voting power and dependence on the dollar as a reserve currency. It provides a diagnosis of why developing nations struggle under the system. This makes it a strong political document that supports arguments for more balance in the monetary system. Finally, the agenda offers a clear vision of reformed global institutions with more stable liquidity and reduced vulnerability, but provides very few mechanisms for how these goals will be operationalised. Coordination with the IMF, G20, and other major economies is vital to reshaping the global financial system.

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[85] United Nations, Department of Economic and Social Affairs. "Financing for Sustainable Development." *Www.un.org*, www.un.org/esa/ffd/publications/aaaa-outcome.html.

PREVIOUS ATTEMPTS TO SOLVE THE ISSUE

BRICS Contingent Reserve Arrangement (CRA) Treaty

This treaty was a currency and financial stability mechanism created in 2014.[86] This BRICS treaty aims to provide support and liquidity to the BRICS nations through precautionary instruments in response to actual short-term balance payment pressures.[87] It is designed so members are not reliant on external systems, such as the IMF, when in crisis. So, it's a direct alternative to the dollar-dominant systems.

El Salvador's Experiment

In the year 2021, El Salvador became the first national state to attempt the adoption of the currency of bitcoin. Then the President of El Salvador, Nayib Bukele, thought this experiment would be successful because of its ability to promote financial inclusion and improve the efficiency of remittances along with the influx of investment from the new technologies sector.[88] However, this move failed because the citizens did not believe in the government's new venture, as 8 out of 10 Salvadorians used the dollar as the currency for their business transactions.[89] One of the most important factors because of which this move failed was that the political structure of El Salvador has been struggling against the challenges of corruption and excessive government expenditure. Likewise, the government of Bukele has been popular but also been perceived as an authoritarian government.Despite that, this experiment in El Salvador had a signalling effect; it put them on the global map, attracting the crypto community's attention.[90]

Russia's De-Dollarisation Project

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[86] "BRICS Countries Signed Contingent Reserve Arrangement (CRA)." *Pbc.gov.cn*, 2025, www.pbc.gov.cn/english/130721/2875046/index.html.

[87] http://www.pbc.gov.cn/english/130721/2882232/index.html

[88]Beyer, Rebecca. "El Salvador Adopted Bitcoin as an Official Currency; Salvadorans Mostly Shrugged." Yale Insights, 29 Jan. 2024, insights.som.yale.edu/insights/el-salvador-adopted-bitcoin-as-an-official-currency-salvadorans-mostly-shrugged.

[89] "In El Salvador, Bitcoin's Retreat Left Valuable Lessons." Americas Quarterly, 24 Mar. 2025, www.americasquarterly.org/article/in-el-salvador-bitcoins-retreat-left-valuable-lessons.

[90]Sigel, Matthew. "How El Salvador Became Latin America's Comeback Story | VanEck." How El Salvador Became Latin America's Comeback Story | VanEck, 25 Nov. 2024, www.vaneck.com/us/en/blogs/digital-assets/matthew-sigel-how-el-salvador-became-latin-americas-comeback-story/.

Since 2014, Russia has been slowly releasing assets connected with the dollar to protect its sovereignty and rivalry with the US. Specifically, they have reduced the share of the dollar in their FX reserves, expanded non-dollar assets, increased gold holdings, and created their own payment and exchange information system called SPFS (System for Transfer of Financial Messages). Russia's project has been slightly successful. It has encouraged more nations to start an anti-dollar movement, but it has not significantly altered the global financial architecture. The reason it was not very successful is that the dollar remains the global reserve currency. Currently, the dollar is still the default language of global trade; all major commodities are priced in dollars.[91]

Reduction of the Dollar in the Caucasus and Central Asia by the IMF

The International Monetary Fund's (IMF) working paper "Reducing Dollarisation in the Caucasus and Central Asia" explores countries in these regions that are trying to reduce their reliance on the dollar and use more of their local currencies, such countries are Kazakhstan, Kyrgyzstan and Armenia. The primary reason is that dollarisation weakens the effectiveness of monetary policy.[92] The reason is that by dollarizing the central bank is out of its own system, people instead of borrowing and saving in the local currency they do in dollars. Also, the interest rate channel becomes ineffective when the dollar is placed as an intermediary, and inflation increases. To add, economists Reinhart, Rogoff, and Savastano argue in their 2003 paper that market-based successful de-dollarisation followed successful disinflation programs.[93] Economist Eduardo Levy Yeyati points out that countries with a comprehensive agenda of de-dollarisation policies have managed to address the phenomenon. Such policies include macroeconomic measures, such as inflation targeting without exchange rate anchors, and microeconomic measures such as limits on dollar lending.[94] The project has been mostly successful, both in the Caucasus and Central Asia, as the regions have had a measurable reduction in dollar

[91]---. "The International Role of the U.S. Dollar – 2025 Edition." Federalreserve.gov, 18 July 2025, www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html

[92] Ize, Alain, and Eric Parrado. "Dollarization, Monetary Policy, and the Pass-Through." *IMF*, Nov. 2002, www.imf.org/external/pubs/ft/wp/2002/wp02188.pdf.

[93] Reinhart, Carmen, et al. *NBER WORKING PAPER SERIES ADDICTED to DOLLARS*. 2003.

[94]Cakir, Selim, et al. "Reducing Dollarization in the Caucasus and Central Asia." IMF, July 2022.

use. For instance, Kazakhstan's credit dollarisation fell from 73% in 2010 to 13% in 2021[95], while in Kyrgyzstan, deposit dollarisation was estimated at 36.6% in 2019 but 50% in 2012.[96] But for this to be fully successful, it depends on strong local currencies, public trust, and diversified trade partners. If these conditions are not upheld, re-dollarization pressures may appear, draining local currency deposits and undermining local liquidity. In addition to low public trust, people will hold more FC cash and structure contracts in foreign currencies. Ultimately, if these conditions are not upheld, the environment will be unstable and multi-currency.

Central Bank Digital Currencies (CBDCs)

CBDCs are digital versions of national currencies issued by central banks. They are being explored as alternatives to improve cross-border payments and reduce reliance on a dollar-based network. Compared to other cryptocurrencies like Bitcoin, CBDCs are state-backed, centrally governed, and integrated in the banking system. While Bitcoin is decentralized and anchored to code, not institutions, and operates outside state control. CBDCs could enable countries to transact with each other without the need for the dollar as an intermediary. A notable example is China's project "mBridge," a platform connecting multiple countries such as China, Thailand, and the UAE. [97] Such a platform would allow transactions to bypass SWIFT. [98] The main feature of CBDCs is the potential efficiency gains. Digital currencies combine messaging and telecommunications quickly and more cost-effectively. This would, in turn, cut the usage of dollar systems where transfers are slow and very expensive.[99] For instance, if Brazil wanted to make a trade with India instead of making the payment through dollars, this platform could make a real-time conversion from the Real to the Rupee. CBDCs may be very appealing and efficient in theory; however, most CBDC projects are still in

[95]Cakir, Selim, et al. "Reducing Dollarization in the Caucasus and Central Asia." IMF, July 2022.
[96] Cakir, Selim, et al. "Reducing Dollarization in the Caucasus and Central Asia." IMF, July 2022.

[97] Smith, Gary. "Shared Brics Money: A Basket Currency or a Basket Case? - OMFIF." OMFIF, 18 Feb. 2025, www.omfif.org/2025/02/shared-brics-money-a-basket-currency-or-a-basket-case/.
[98] Wessel, David, and Sam Boocker. "The Changing Role of the US Dollar." *Brookings*, 23 Aug. 2024, www.brookings.edu/articles/the-changing-role-of-the-us-dollar/.
[99] Wessel, David, and Sam Boocker. "The Changing Role of the US Dollar." Brookings, 23 Aug. 2024, www.brookings.edu/articles/the-changing-role-of-the-us-dollar/.

development and are used domestically rather than internationally.[100] Creating an actual platform like this is complex both technically and politically; it requires trust between central banks, which currently does not exist. The dollar's dominance relies on years of trust; new CBDCs will first need to overcome issues of credibility and user adoption. As Jared Cohen of Goldman Sachs says, "if the dollar's position were to change, it would come from an evolution, not a revolution."[101]

POSSIBLE SOLUTIONS

Regional Payment System and Use of Local Currencies for Trade

Creating a regional payment system could significantly impact the process of de-dollarisation. The Association of Southeast Asian Nations (ASEAN) governments are already moving in this direction; specifically, they have begun using local currencies for trade. According to ASEAN +3, this direction reduces the reliance on foreign currencies.[102] Thus, regional payment systems and the use of local currencies between economic alliances, such as the Shanghai Cooperation Organization (SCO) and the Eurasian Economic Union (EAEU), could be a potential solution to the dominance of the dollar.

Set Up Currency Swap Agreements Between Central Banks

Central banks can establish swap agreements, which enable them to borrow from each other at a fixed exchange rate. For instance, the UAE and Ethiopia signed a currency

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[100] Smith, Gary. "Shared Brics Money: A Basket Currency or a Basket Case? - OMFIF." *OMFIF*, 18 Feb. 2025, www.omfif.org/2025/02/shared-brics-money-a-basket-currency-or-a-basket-case/.
[101] Wessel, David, and Sam Boocker. "The Changing Role of the US Dollar." *Brookings*, 23 Aug. 2024, www.brookings.edu/articles/the-changing-role-of-the-us-dollar/.

[102] ASEAN LEADERS' DECLARATION on ADVANCING REGIONAL PAYMENT CONNECTIVITY and PROMOTING LOCAL CURRENCY TRANSACTION.

swap agreement worth 3 billion dirhams (approximately $ 817 million). This will enable countries to have a backup currency, without reducing their reliance on the dollar.[103] The currency swap agreements between central banks will create a guaranteed source of foreign currency liquidity for both trade and transactions.[104] By setting up such agreements, the dependency on US dollars is reduced as the dollar does not act as an intermediary. They also help nations pursuing de-dollarization by creating non-dollar liquidity during market volatility.[105] However, the effectiveness of these agreements depends on macroeconomic credibility, inflation, and institutional strength. If this does not exist, there will be credit risk and exchange rate risk.[106]

Diversifying FX Reserves.

Countries can reduce their reliance on the dollar by having other assets such as the Euro, Yuan, or Yen. They can also hold commodities like gold or SDRs. Some countries that have already implemented such measures are Russia, China, Turkey, and Iran. This has spread the risk and provided countries with other options in the case that the dollar collapses. Nations should be very cautious, as not all currencies or assets are as liquid as the dollar.[107]

So, when a country holds foreign exchange reserves, it is to defend its currency, manage imports, and prevent a Balance of Payments (BOP) crisis. But since most reserves are held in dollars, it creates a structural dependence on American monetary policy.[108]

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[103] Reuters Staff. "UAE, Ethiopia Sign Currency Swap Agreement with Value of up to $817 Million." Reuters, 16 July 2024, www.reuters.com/business/finance/uae-ethiopia-sign-currency-swap-agreement-with-value-up-817-million-2024-07-16/.

[104] McCauley, Robert N. "Central Bank Swaps Then and Now: Swaps and Dollar Liquidity in the 1960s." BIS Working Papers, Bank for International Settlements, Apr. 2020, ideas.repec.org/p/bis/biswps/851.html.

[105] Ball, Meika, et al. The Global Financial Safety Net and Australia.

[106] Mccauley, Robert, and Catherine Schenk. Central Bank Swaps Then and Now: Swaps and Dollar Liquidity in the 1960s Monetary and Economic Department. 2020.

[107] Arslanalp, Serkan, et al. "Dollar Dominance in the International Reserve System: An Update." *IMF*, 11 June 2024, www.imf.org/en/Blogs/Articles/2024/06/11/dollar-dominance-in-the-international-reserve-system-an-update.

[108] International Monetary Fund. Balance of Payments and International Investment Position Manual Sixth Edition (BPM6) INTERNATIONAL MONETARY FUND. 2009.

By holding more assets, central banks have more room to manage exchange rates and prevent being impacted by US market volatility. Other assets like the euro is tied to a "politically fragmented union"[109], the yen is affected by the loose monetary policy adopted by the Bank of Japan[110].

Developing CBDCs

All countries must create their own digital currencies. This enables cross-border transactions to be fast, inexpensive, and less reliant on US systems like SWIFT. China, Thailand, and the UAE have already started heading in this direction through the mBridge project.[111]

For CBDCs to work, digital ID systems and secure national payment rails are required. Currently, the UNDP has reported that 2.7 billion people do not have meaningful internet access.[112]The International Telecommunications Union considers that digital ID and cybersecurity readiness are the two main reasons that digital financial systems are impossible.[113]UNICEF and other NGOs can promote financial literacy among youth through digital financial training and community workshops on using CBDC wallets. Also, the IMF has developed a comprehensive framework, noting that CBDCs strengthen monetary policy transmission when supported by institutions. So the IMF can provide technical assistance to central banks and also provide concessional financing for CBDC infrastructure.[114]

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[109] Anique, Laure. "The Challenges of the Economic and Monetary Union." European Generation, 29 Mar. 2022, www.europeangeneration.eu/single-post/the-challenges-of-the-economic-and-monetary-union.

[110] Central Banking Newsdesk. "BoJ Sticks to Ultra-Loose Monetary Policy - Central Banking." Central Banking, 16 June 2023, www.centralbanking.com/central-banks/monetary-policy/monetary-policy-decisions/7959042/boj-sticks-to-ultra-loose-monetary-policy.

[111] BIS. "Project MBridge Reached Minimum Viable Product Stage." Www.bis.org, 2024, www.bis.org/about/bisih/topics/cbdc/mcbdc_bridge.htm.

[112] UNDP. "Human Development Report 2023-24." Hdr.undp.org, 13 Mar. 2024, hdr.undp.org/content/human-development-report-2023-24.

[113] Development Sector. Measuring Digital Development Facts and Figures 2023. 2023.

[114] Soderberg, Gabriel , et al. "How Should Central Banks Explore Central Bank Digital Currency? A Dynamic Decision-Making Framework." IMF, Sept. 2023.

International Support Mechanisms

International institutions such as the IMF or the WB can finance, provide technical advice, or shift lines for nations that are moving away from the dollar. Specifically, the WB has stated that digital public infrastructure is essential for economic modernization. So as countries de-dollarize, the WB can prioritize cybersecurity and regulatory institutions.[115]Institutions like the BIS or the WB can finance digital public infrastructure(DPI), and CBDCs depend on it. They will finance CBDC platforms, digital ID systems, and an instant payment system.[116] They will finance it by concessional loans through the International Development Association (IDA).[117]

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[115] *Reimagining Cooperation in a Polarized World*.
[116]Demirgüç-Kunt, Asli, et al. Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. 2021.
[117]Group, World Bank. "Creating Digital Public Infrastructure for Empowerment, Inclusion, and Resilience." World Bank, World Bank Group, 16 Oct. 2023, www.worldbank.org/en/results/2023/10/12/creating-digital-public-infrastructure-for-empowerment-inclusion-and-resilience.

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