Will the World Ditch the Dollar?

War, Empire, and the Global Movement Against U.S. Monetary Hegemony

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THE U.S. DOLLAR'S DOMINANCE IN THE GLOBAL ECONOMY EFFECTIVELY positions the U.S. government as a middleman in every trade and financial transaction in which the dollar is used. And the dollar is used far more than any other currency in the world. These simple facts underpin many recent debates about "de-dollarization," the process by which the dollar becomes less dominant in the global economy.

Toward the end of World War II, with much of Europe in ruins, the U.S. dollar was the strongest and most stable currency around. World leaders agreed at a 1944 conference in Bretton Woods, N.H., that the dollar should anchor the global monetary system, providing financial stability as the world recovered and rebuilt. The "Bretton Woods system" that emerged and was fully implemented by 1958 involved a "dollar-gold standard" in which the United States pegged the value of the dollar to gold, and then other countries pegged their own, domestic currencies to the U.S. dollar. The privileged status bestowed upon the dollar at Bretton Woods—what French finance minister Valéry Giscard d'Estaing famously later called an "exorbitant privilege"—has afforded the U.S. government, and the U.S. financial system more broadly, tremendous power over global economic and political affairs, and over the fates and fortunes of people across the globe.

Today, many scholars and pundits maintain that, despite the recent flurry of speculation to the contrary, there is no real threat to the dollar's dominance. We humbly disagree. The dollar has been dealt a severe blow over the last 18 months owing to the Ukraine war and its surrounding context, a geopolitical shock that disrupted the more comfortable terrain on which the dollar previously rested. The dollar, and to a lesser extent the euro, have become targets of a growing international backlash to Western military, political, and economic dominance since the war began. Part of this backlash involves a wide swath of the non-Western world coordinating to reduce dependence on the U.S. dollar and develop alternatives that permit it to cut out Western monetary middlemen. This is the first time since World War II that so many countries with such combined economic strength have been so unified in their opposition to the U.S. dollar (and to a lesser extent the euro) and so determined in their efforts to establish viable alternatives to its position as an anchor of global financial and trading systems.

In the sections that follow, we first discuss the "old" view of international currencies and contrast it with the "new" view that informs our findings and conclusions. We then discuss global discontent with the dollar, the impact of the Ukraine war on the dollar's legitimacy and reputation, and the alternative arrangements sprouting up to compete with the dollar in global trade and finance. ❯❯

De-Dollarization: The Old View and the New View

In a June 2023 interview with Truthout titled “Is the US Dollar on the Verge of Being Dethroned as the World’s Currency?” economist Gerald Epstein noted that, “[O]verall, there is no other currency that plays as many roles in as many places as the U.S. dollar.” In a July article in the *New York Times* “Debunking De-dollarization,” economist Paul Krugman more or less agreed: “The U.S. dollar is, in a real sense, the money of moneys…”.

Both articles go on to discuss the usual data that come up these days in de-dollarization debates. Despite some modest declines in usage in recent decades, the U.S. dollar in 2022 accounted for roughly 60% of international foreign exchange reserves, 70% of global debt issued in foreign currencies, and was involved in almost 90% of all global foreign exchange transactions. For now, the dollar is just too important and too widely used to be seriously challenged—or so the argument goes.

In his 2015 paper “International Currencies Past, Present, and Future,” economist Barry Eichengreen notes that this position on the dollar’s current and future place in the world—a common one among many contemporary observers—is based on what he calls the “old view” of international currencies. The old view assumes that the international monetary system tends toward monopolization by a single currency with overwhelming strength and power, and that, once dominance has been established, it is difficult to undo. Network effects (which render participation in the dollar’s network more valuable as more users are added, and which make exiting the network more costly) and inertia (the general habit of using

DOLLARIZATION AND DE-DOLLARIZATION IN NATIONAL CONTEXT

There are two different but related meanings of “dollarization.” The first is general and broad, referring to the historical dominance (or “hegemony”) of the dollar in the global economy in general, as a medium of exchange, store of value, and unit of account. The second refers to a deliberate, national-level policy to adopt the U.S. dollar instead of using the domestic currency in order to promote macroeconomic stability. The two senses of “dollarization” are related, especially because countries historically stabilized their economies using the dollar precisely because the dollar was *already* so dominant globally.

Looking more closely at a specific case, Zimbabwe’s recent experiences show how *both* dollarization and de-dollarization can be motivated by similar economic concerns, as well as how, in practice, countries experiment with different currency arrangements over time to identify strategies and policies that best meet their needs. Zimbabwe dollarized in 2009 to stabilize its economy following years of political upheaval and poor economic management. Zimbabwe’s inflation rate reached its peak in 2008, climbing to 500 *billion percent* (you read that correctly), rendering the local currency worthless. In 2009, Zimbabwe decided to adopt a multi-currency system, meaning that it began to use foreign countries’ currencies for trade and financial transactions, mostly the U.S. dollar, but also the euro, British pound, Chinese yuan, and South African rand.

While dollarization helped reduce inflation, it led to other problems. A shortage of U.S. dollars developed because everyone was using them, and it became difficult for residents, especially poorer ones, to access the cash they needed for daily transactions. Social unrest followed dollar shortages, as residents struggled to obtain food, health care, and other necessary items. Zimbabwean exports became less competitive as local goods priced in dollars for export appeared to be more expensive on global markets. The government also surrendered its monetary policy autonomy, meaning it could no longer manage the domestic money supply and interest rates because those decisions now rested with the U.S. government following the decision to dollarize.

In 2022, after the value of the U.S. dollar skyrocketed and more dollar shortages erupted, Zimbabwe introduced gold coins in an effort to *de-dollarize*, i.e., to reduce its reliance on the dollar. The Zimbabwean Central Bank is minting the coins, which are expected to cost around US$1,800 each. John Mangudya, the head of the Reserve Bank of Zimbabwe, believes that the gold coins will help reduce domestic use of the U.S. dollar, “We are now providing that store of value to ensure that people do not run to the parallel market in search for foreign currency to store value.”

the dollar) can maintain a currency's global dominance much longer than we might think. The transition from one currency regime to another, then, is understood as a cage match in which two superpowers and their respective currencies vie for total world domination, with the winner's hegemonic currency replacing the loser's. From this perspective, the dollar is not at risk because there is no other currency capable of supplanting it.

By contrast, what Eichengreen calls the "new view" of international currencies draws on different data and assumptions, resting less on network effects and more on an "open system" model in which a dominant currency can be supplanted more easily than is assumed in the old view and in which several dominant currencies can coexist in the global economy. Eichengreen notes:

A PRESIDENT VOICES FRUSTRATION

Eritrean President Isaias Afwerki's recent comments during his meeting with Russian President Vladimir Putin on the sidelines of the Russia-Africa summit in St. Petersburg in July 2023 illustrate the frustrated and vehement nature of the opposition that now confronts the West and its major currencies (while our analysis touches on the euro, we focus mainly on the dollar). Note especially how Afwerki's long-running resentment of U.S. and European empire combines with more recent fury at the Ukraine war, sanctions against Russia, and "money printing" into a passionate call to dismantle the current monetary order and replace it with one that is not "controlled" by any hegemonic currency. Afwerki states:

> This is a war declared not on Russia but a war declared to achieve hegemony. In the last 30 years I have seen the details of the mechanism of this declared war; this last event is the final phase to me. It will end sometime. NATO will not get out of intensive care. The EU will not get out of intensive care. These systems are crumbling. It is only a matter of time.
>
> The whole world will have to be prepared not to defend Russia but to stand with Russia so that this hegemonistic ideology does not prevail at any point in history.
>
> How do we design a plan? How do we make their plan fail without any further cost? They are printing money. They are not manufacturing anything at all; it is all about printing money. And this is one of their weapons. The global monetary system controlled by the dollar and the euro is being used. They are introducing sanctions and freezing accounts—these are their tools. This is not going to continue indefinitely.
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> We need a new financial architecture, globally, one that is not controlled by the euro, the dollar, or other currencies.

Russian President Vladimir Putin and Eritrean President Isaias Afwerki greet each other at the Russia-Africa Summit, July 2023.

Source: Artem Geodakyan, TASS news agency, Creative Commons CC BY 4.0 license.

> Where the old view found support in the dollar's dominance in the second half of the 20th century, the new view finds support in other periods during which several currencies have simultaneously played consequential international roles. Where the old view implied that the dollar's dominance might persist for an extended period, the new view predicts that the dollar will have rivals sooner rather than later.

In the context of his study of how the U.S. dollar replaced the British pound sterling as the world's hegemonic currency, Eichengreen points to "large shocks" and "effective coordination mechanisms" among rivals as factors that can disrupt and undermine the power of a dominant currency. "[E]ven strong lock-in can become unlocked," Eichengreen wrote with Marc Flandreu in 2008, "Evidently inertia is less than sometimes supposed."

Eichengreen has noted that there are generally two conditions that must be met for a globally "hegemonic" currency like the U.S. dollar to lose its dominant status and start facing real competition. First, there must be a "negative shock" that affects "the reputation of the incumbent." Second, there must be "positive steps" taken "to enhance the attractions of rivals." Our research indicates that both of these conditions have been met, or very nearly so, in the period since the Ukraine war began in February 2022.

The status bestowed upon the dollar at Bretton Woods is an "exorbitant privilege."

U.S. President Gerald R. Ford and French President Valéry Giscard d'Estaing examining an antique printing press presented as a bicentennial gift to the United States on behalf of the people of France (in what may have been intended as a subtle critique of U.S. profligate money-printing), May 1976.

Source: U.S. National Archives, public domain.

"Our Currency, Your Problem": Oil and the Dollar Weapon

While in the mid-1940s at Bretton Woods the United States had committed to wielding its hegemonic power responsibly, by the mid-1960s other governments were complaining that the U.S. government was derelict in its responsibilities and abusing its power for its own gain. Most notably, French officials, including French President Charles de Gaulle, began publicly accusing the United States of printing more dollars than it had gold in reserve to back them, enjoying the power and benefits associated with dollar hegemony without paying its fair share of the costs.

In theory, a gold-based exchange-rate system like the one created for the dollar at Bretton Woods ensures that the massive power associated with custodianship of the world's most important currency comes with equally large responsibilities. As with other kinds of fixed-exchange-rate systems, a gold standard disciplines and constrains governments and policymakers by making it more difficult to create ("print") and spend money on costly or unproductive projects and programs. In exchange, governments using gold standards benefit from the perceived legitimacy and greater strength of their currency and economy in global markets owing to the confidence a gold standard instills in trade and investment partners abroad.

Instead of practicing the required fiscal and monetary discipline, de Gaulle argued, the United States was pushing the costs onto other countries by diluting the dollar's purchasing power (i.e., reducing the amount of real stuff, like gold, a dollar could buy). By doing so, the United States was able to grow and industrialize at a steady rate, finance wars (e.g., the Vietnam War), start new social programs (e.g., President Lyndon Johnson's Great Society

programs), and run persistent trade deficits. All the while, the real value (purchasing power) of the most important financial asset the rest of the world was holding—the dollar—gradually eroded.

Repeated public displays of no confidence, combined with hundreds of billions of dollars in French gold redemptions (the French had begun exchanging their dollars for gold with the U.S. Treasury), gradually ate away at support for the system, encouraged speculative attacks on the dollar, and reduced the size of U.S. gold reserves. Eichengreen notes the significance of this declining trust and legitimacy for the dollar's dominance:

> The dollar's share [of global foreign exchange reserves] stops rising in the late 1960s. This is when currencies other than [British] sterling and the dollar (notably the deutschemark, but also others) make an appearance in central bank reserve portfolios. It is when serious doubts developed about the stability of the Bretton Woods gold-dollar system.

After first limiting the convertibility of dollars to gold in 1968, U.S. President Richard Nixon suspended the dollar's convertibility to gold entirely in 1971. This decision is widely regarded, especially outside of the West, as a U.S. government debt default and a major violation of its financial obligations to other countries. At the time, President Nixon's Treasury Secretary John Connally reportedly told his international counterparts that the dollar is "our currency, but your problem." Indeed. While in 1971, the U.S. dollar was worth 1/35 of an ounce of gold (0.029 ounces per dollar), by August 2023 as this article was being finalized the gold price of a U.S. dollar had fallen to 1/2,000 of an ounce of gold (0.0005 ounces per dollar). As Eritrean President Isaias Afwerki said in July (see sidebar, p. 12), echoing similar concerns from de Gaulle many decades prior, the "money printing" problem is a central grievance among members of the de-dollarization movement.

The early 1970s marked the end of the Bretton Woods monetary order, but it wasn't the end of the dollar's global dominance. The fact of the dollar-gold standard's collapse—in which the U.S. government failed to meet its obligations and responsibilities to the world, yet somehow managed to maintain dollar dominance for the next 40 years—partly underpins global opposition to the dollar today. As

Chinese leader Xi Jinping greets Brazilian President Luiz Inácio "Lula" da Silva in Beijing during a state visit in April 2023.

Credit: Ricardo Stuckert/ Presidência do Brasil, public domain.

Brazilian President Luiz Inácio "Lula" da Silva stated to thunderous applause in Shanghai in April 2023 during a speech at the headquarters of the New Development Bank (NDB):

> Every night I ask myself why all countries have to base their trade on the dollar. Why can't we do trade based on our own currencies? Who was it that decided that the dollar was the currency after the disappearance of the gold standard?

(The NDB is a development bank started by the BRICS countries, Brazil, Russia, India, China, and South Africa, to compete with the Western-led International Monetary Fund and World Bank.)

The birth of the petrodollar

So how *did* the U.S. maintain dollar dominance after the link to gold was severed? Through a combination of political maneuvering and military force, the United States forged agreements with key commodity producers to link the dollar's value to oil and other widely traded primary commodities rather than to gold. In 1974, following the 1973 Arab-Israeli war in which several Arab states embargoed oil exports to the West and sent oil prices to the moon, the U.S. government made Saudi Arabia an offer it couldn't refuse. Negotiated on behalf of the United States by Henry Kissinger, the agreement stipulated that the U.S. government would provide aid and weapons to Saudi Arabia; in exchange, Saudi Arabia agreed to accept only U.S. dollars from trade partners for its oil exports. Other members of the Organization for Petroleum Exporting Countries (OPEC) soon followed suit.

Writing for the Middle East Monitor, political analyst Muhammad Hussein notes that the deal "not only secured military defense of the kingdom through guarantees by the U.S., but also secured a stable stream of foreign purchase of U.S. Treasury bonds and debt—a strategy of recycling the petrodollars back into Washington—through the Gulf state's reserves." This is how the "petrodollar" was born. Among other consequences, linking oil trade to dollars kept demand for dollars high relative to other currencies even as inflation and money-printing eroded its purchasing power. The petrodollar also afforded the U.S. government influence over oil prices—for example, rising U.S. interest rates typically depress global oil prices.

A rising tide of dollar discontent

Picking up where de Gaulle left off, other countries started accusing the United States of wielding the dollar as a "weapon," that is, of using its currency dominance to its advantage and to the disadvantage of other countries. Among other advantages, the United States avoided balance-of-payments problems (i.e., otherwise unsustainable trade deficits) during the 1970s when oil prices were high, a privilege that rival economies (e.g., in Europe and Japan) did not enjoy. As Riccardo Parboni notes in a 1986 article on the "dollar weapon," the United States "could thus afford more expansionary policies and more rapid growth than the rest of the industrialized world."

Across the Global South, domestic economic problems arose when the dollar fluctuated, which it did quite often in the absence of being pegged to gold. The post-1971 U.S. exchange-rate system is called a "floating" exchange-rate regime because the value of the currency moves around. Changes in the value of the dollar cause changes in the value of other currencies that trade against the dollar (causing them to appreciate and depreciate as the dollar falls and rises, respectively) and changes in food and energy prices (which are mostly priced in dollars), rendering trade balances and investment flows more volatile, prices more uncertain, and service on dollar-denominated debts often unbearable. Among other horrible dollar-related experiences, the debt crises that devastated economies across Latin America, Africa, and Asia during the 1980s partly stemmed from rising U.S. interest rates and a stronger dollar.

But it's not just that the United States had an exorbitant privilege that others did not enjoy. And it's not just that the United States pushed the costs of this privilege onto other countries that could ill afford it. It was also the case that the United States was leveraging global dependence on the dollar to discipline and punish other governments, cutting them out of global trade and financial networks to achieve geopolitical, military, and economic goals. All of these problems with dollar hegemony came into stark focus following the start of the Ukraine war in February 2022.

The Ukraine war

The strategic use of the SWIFT system, the Society for Worldwide Interbank Financial Telecommunications, is a good example of dollar weaponization. SWIFT is a U.S.-led organization that manages and routes dollar payments between countries as they engage in trade with one another. (See Bill Barclay, "SWIFT, the U.S. Dollar, and the Global Political Economy of Trade," *D&S*, September/October 2022.) If one wants to buy or sell anything internationally using dollars, those payments typically flow through SWIFT (some black-market exchanges excepted). The United States banned Iran from using SWIFT in 2012, in response to Iran's alleged development of nuclear weapons. And then the United States barred Russia from SWIFT in late February 2022, in response to Russia's invasion of eastern Ukraine.

The United States and its allies further imposed sanctions on Russian exports, directly and indirectly limiting exports of oil, natural gas, copper, nickel, lead, aluminum, and fertilizer, among other critical commodities traditionally priced in dollars. The war and sanctions conspired with rising U.S. interest rates and a strong dollar to drive up the cost of food, pushing tens of millions of people around the world into acute food insecurity, according to the World Food Programme. The United Nations Conference on Trade and Development coined the term "double burden" to describe the combined impact of the war and strong dollar on the global poor (see Sasha Breger Bush, "The Whole World Debt Crisis," *D&S,* March/April 2023). The United States and its allies further cajoled and threatened sanctions on other countries that were not party to the conflict but that continued to trade in Russian goods, many of them smaller and poorer economies like Eritrea's that rely heavily on Russian wheat imports to feed their populations.

But the United States and its partners didn't stop with SWIFT restrictions and sanctions. Like many other central banks, before the war, Russia's central bank held a lot of its dollar assets in U.S. banks and its euro assets in European banks, making it vulnerable to asset freezes after the war began. Not only were Russian central bank assets frozen early in the war, but in fall 2022, U.S. and European officials began proposing to *seize* the assets outright and redistribute them to Ukraine to pay for war reconstruction. This sent chills across much of the non-Western world, especially as they thought ahead to the possibility of the United States also pursuing war with China (a major trade partner for most of the world's economies).

At a meeting of finance ministers and central bank governors from the member countries of the Association of Southeast Asian Nations (ASEAN), Indonesian President Joko Widodo spoke in support of the group's plan to implement more trade in local, non-dollar currencies, saying that it would avoid the "possible geopolitical repercussions" of relying on Western payment systems like SWIFT. A recent commentary in the Chinese state-run outlet Xinhua agreed that "sweeping U.S.-led Western sanctions against Moscow" and "anxiety" about "America's ability to settle its bills in the long run" have been "driving [other countries] away from the U.S. currency."

South African President Cyril Ramaphosa announcing the outcomes of the August 2023 BRICS summit.

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The Johannesburg II Declaration issued after the BRICS summit in August 2023 stresses the importance of "the use of local currencies in international trade and financial transactions between BRICS as well as their trading partners."

The International Movement Against the Dollar

The dynamics and events of the war have worked not only to reduce trust in the U.S. monetary system to critically low levels (condition #1: a "negative shock" that affects the "reputation of the incumbent") but also to galvanize the creation of new trade and financial networks specifically designed to avoid dollar usage (condition #2: "positive steps" taken "to enhance the attractions of rivals"). These positive steps are visible across several interconnected domains.

National de-dollarization programs among major U.S. rivals

China, the world's largest manufacturing economy and second-largest economy overall, began a de-dollarization program in the wake of the 2008 Great Recession, gradually reducing dependence on a dollar-based system it perceived as fragile and unreliable. Recent sanctions against China by the United States only expedited the process. China's multipronged strategy includes reducing holdings of dollar-denominated assets (like Treasury bonds), conducting more international trade in renminbi (yuan) including with sanctioned economies, and supporting the efforts of multilateral organizations such as the BRICS organization, ASEAN, and the Shanghai Cooperation Organization (SCO) in their own bids to de-dollarize. In May 2022, China's U.S. Treasury holdings hit a 12-year low; in April 2023, the yuan surpassed the dollar as the most traded currency in Russia; and in June 2023, China's bilateral trade in yuan surpassed bilateral trade in dollars for the first time (49% of bilateral trades occurred in yuan).

Russia, the world's leading exporter of both oil and natural gas in 2021, began a de-dollarization program following its annexation of Crimea and the imposition of U.S. and European sanctions in 2014. Russia's strategy looks similar to China's, including diversifying foreign exchange holdings away from the dollar, local currency agreements with trading partners including other sanctioned countries, development of alternative payment systems (including ruble-based trade and crypto; see sidebar, "What's Cryptocurrency?"), and supporting de-dollarization efforts by multilateral organizations such as BRICS, the Eurasian Economic Union (EEU), and the SCO. Writing for the Geopolitical Economy Report, journalist Ben Norton notes, "The yuan's share of Moscow's

WHAT'S CRYPTOCURRENCY? HOW IS IT RELATED TO THE U.S. DOLLAR?

Cryptocurrency, named for its use of cryptography principles to mint virtual coins, is traded on decentralized computer networks between people with virtual wallets. These transactions are recorded publicly on tamper-proof ledgers known as "blockchains." There are different types of blockchains and thus, different types of cryptocurrencies. The open-source framework prevents coins from being duplicated and eliminates the need for a central authority, such as a bank, to validate transactions. (See Hadas Their, "Cryptocurrency Will Not Liberate Us," *D&S*, January/February 2022.)

Cryptocurrencies are a type of e-money and are not liabilities the way fiat currencies are. (Fiat currencies—those issued by a sovereign government—are, basically, IOUs that entitle the holder to compensation. In other words, fiat currency is debt.) Instead, crypto can be thought of as a special type of commodity money: digital commodity money. The U.S. dollar has not had a link with any real commodity with intrinsic value since 1968.

This lack of faith in the dollar's value over time, along with a desire to reduce risks associated with future sanctions, is a major reason why countries like China and Russia are interested in blockchain technology and crypto-based international payments systems. For example, Russia recently launched a cryptocurrency-based mechanism for settling cross-border payments, one that is unrestricted and can effectively bypass future sanctions, and in July 2023 announced preparations to introduce the "digital ruble." China has been opening markets and developing infrastructure for its "digital yuan" since early last year. Non-state-backed cryptocurrencies, like Bitcoin, may also develop to the point where they end up displacing sovereign currencies in domestic and international transactions. The government of El Salvador, for example, made Bitcoin legal tender alongside the U.S. dollar in 2022.

As of February 2023, 114 countries, including the United States, are considering introducing their own central bank digital currencies (CBDCs) in order to better compete in the digital currency arena.

currency trading increased from 1% to 40–45% in 2022, while dollar trade halved from 80% to 40%."

At least 22 countries were currently under U.S. sanctions as of August 2023 according to the U.S. Office of Foreign Asset Control. The sanctioned economies together represented over 20% of world GDP in 2022 (excluding North Korea, Yemen, Venezuela, and South Sudan, for which the World Bank had no data), and include the world's 2nd largest and 8th largest economies, China and Russia. The World Bank just calculated in August 2023 that Russia's economy is now the largest in Europe in purchasing power terms, surpassing Germany. (When values are adjusted for purchasing power it means that cost-of-living differences across countries are factored in.) The impact of sanctions on the movement for de-dollarization has been profound, encouraging partnerships and alliances among countries that may otherwise have found little common ground (e.g., Iran and Iraq). (See Prabhat Patnaik, "Imperialism and Natural Resources," *D&S*, May/June 2023.)

A growing list of non-sanctioned countries, including big economies like Brazil (which has been discussing a common currency with Argentina and co-leading BRICS efforts) and smaller ones like Zimbabwe (see sidebar, p. 12), have also rolled out their own de-dollarization programs.

Severing the link between the dollar and global oil trading

Over the past 18 months, following the example set by Venezuela in 2017 when it started publishing oil prices in Chinese yuan, oil-exporting countries have seized the opportunity provided by Western sanctions on Russian oil and natural gas to unwind troublesome petrodollar relationships forged during the 1970s, gradually de-linking the global oil trade from the U.S. dollar and placing downward pressure on global demand for dollars.

Because Russia is such a large producer of oil and gas, the sanctions effectively created a new, non-dollar oil and natural gas market of substantial size. In May 2022, Reuters reported that even Germany and Italy, which supported the sanctions against Russia, had resorted to using rubles to pay for necessary gas imports from Russia. In September 2022, Asia Times reported that Russia and China were pricing their oil and gas trade in rubles and yuan, and that the major Russian oil company Rosneft had begun issuing yuan-denominated bonds (US$1.4 billion worth).

Building on this momentum, in January 2023, Saudi Arabia, the world's second-largest oil producer, signaled its willingness to conduct oil trading in other currencies, including the Chinese yuan and Saudi riyal. Saudi Arabia has been an important outlet for sanctioned Russian oil, with Saudi imports doubling between April and June 2023. (Despite being the world's second-largest oil producer, Saudi Arabia often imports oil to meet domestic demand while honoring commitments to supply its own oil to foreign buyers.) The currency of the United Arab Emirates (UAE)—the dirham—is currently being used to settle payments on sanctioned oil trade between Russia and India. The UAE, the world's seventh-largest oil producer, concluded its first yuan-for-oil deal with China, the world's largest oil importer, in March, and a similar oil-for-rupees deal with India in August. Iraq, the world's fifth-largest oil producer, agreed to trade with China in yuan in February.

Gold stockpiling

Gold is a safe-haven asset, meaning that investors regard it as a reliable store of value, especially in the face of economic uncertainty. Further, physical gold transactions cannot be monitored and surveilled as easily as electronic payments on a dollar-based network like SWIFT, making it useful for evading sanctions. Data on central bank gold reserves over time indicate that non-Western central banks have been stockpiling gold at a rapid pace, particularly those motivated by sanctions and geopolitical risk. In a January 2023 IMF paper, "Gold as International Reserves: A Barbarous Relic No More?" Serkan Arslanalp, Barry Eichengreen, and Chima Simpson-Bell note that,

> Recent events, including financial sanctions against the government of Russia in response to its invasion of Ukraine, and specifically the decision to freeze foreign exchange reserves of the Russian central bank, have highlighted the possibility that other central banks may respond by shifting a portion of their reserves from foreign exchange into gold, which can be repatriated and vaulted at home.

In June 2022, 74% of central banks reported to the World Gold Council that they held more gold in reserve than they did five years ago, specifically acquiring gold "as a buffer against balance of payments crises," "as a backstop for the domestic financial system," for "capital gains on total reserves," and as "part of de-dollarization policy." In January 2023, the World ››

Gold Council's annual report detailed massive increases in gold purchases worldwide in 2022, led partly by central bank acquisitions: "[A]nnual gold demand (excluding OTC) in 2022 increased by 18% year-on-year, hitting 4,741 [metric tons]—the highest annual total since 2011." The Council's data indicate that China, the world's largest gold producer, increased its gold purchases five-fold between the early 1990s and 2013 and was the largest purchaser of gold every year from 2013 to 2022, followed closely by India. In March 2023, the Monetary Authority of Singapore (MAS) made its largest gold acquisition since 1968 (44.6 metric tons, representing a 29% increase in total gold reserves). The World Gold Council reported in May 2023 that global gold reserves were up 176% from the prior year.

Multilateral organizations

Multilateral organizations representing mainly non-Western governments have either proposed or already launched collaborative plans to de-dollarize and trade more in the local currencies of their members. For example, the BRICS organization's plan emphasizes growing trade in the "Five Rs," referring to the local currencies of its five original members—the real (Brazil), the ruble (Russia), the rupee (India), the renminbi (China), and the rand (South Africa). Just this year, the combined GDP of these five countries surpassed that of the G7 group (which includes the United States, Canada, France, Germany, Italy, the United Kingdom, and Japan) in purchasing power terms. "[Th]e five BRICS nations now contribute nearly 31.5% of the global GDP, compared to 30.7% by G7 countries," Countercurrents reported in April 2023.

In August 2023, at the annual BRICS summit in Johannesburg, South Africa, the organization extended invitations to six new members to join: Saudi Arabia, Iran, the UAE, Ethiopia, Egypt, and Argentina. If all members ultimately do join (which is uncertain, especially for Argentina), the new BRICS+6 would collectively account for even larger shares of global commodity production and exports, including the oil production and trade upon which the dollar depends for its hegemonic power. For example, the addition of Saudi Arabia, Iran, and the UAE doubles the BRICS's share of global oil production to 43%. The Johannesburg II Declaration issued after the summit expresses "concern about the use of unilateral coercive measures" (sanctions), promotes the "peaceful resolution of differences and disputes" (Ukraine, also Niger), and stresses the importance of "the use of local currencies in international trade and financial transactions between BRICS as well as their trading partners" (de-dollarization). The week before the summit began, the NDB issued its first bonds denominated in non-dollar currencies, with US$78 million in bonds offered in South African rands.

Multilateral Organizations Pursuing De-Dollarization Plans

Organization	Members
BRICS	Brazil, Russia, India, China, South Africa
Mercosur	Argentina, Brazil, Paraguay, Uruguay
SCO	China, India, Kazakhstan, Kyrgyzstan, Russia, Pakistan, Tajikistan, Uzbekistan
EEU	Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia
ASEAN	Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam
African Union (AU)	Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cabo Verde, CAR, Chad, Comoros, Congo, Côte d'Ivoire, Djibouti, DRC, Egypt, Equatorial Guinea, Eritrea, Kingdom of Eswatini, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Uganda, Rwanda, SADR, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Tanzania, Togo, Tunisia, Zambia, Zimbabwe

But it's not just BRICS. Indonesia and Singapore launched a pilot program in August to use QR codes to facilitate secure cross-border payments among ASEAN members in local currencies, with plans to formally introduce the system later this year. The table on the previous page shows our count, with more than 80 countries currently engaged in de-dollarization planning and implementation via multilateral organizations.

Bilateral trade and investment in local currencies

Many governments are also forging new bilateral agreements with trade partners to conduct trade and investment in local currencies, bypassing the U.S. dollar. Leaders of the de-dollarization movement (China, but also Russia, India, and others) are capitalizing on the surge of enthusiasm and anti-Western sentiment generated by the Ukraine war to extend and deepen the movement away from the dollar. From local currency trade agreements to bilateral swap lines (where local currencies of two countries are "swapped," permitting each to more easily finance imports and debt-repayment without using the dollar as an intermediary), China has been working to internationalize the yuan, bit by bit, one partner country at a time.

China's Belt and Road Initiative (BRI) is a multi-trillion-dollar development and infrastructure initiative that will connect China to regional partners in Asia, and onward to Europe, Africa, and Latin America. Most countries that have concluded BRI agreements with China have adopted the yuan, to varying degrees, for trade and/or debt settlement. (According to David Sachs with the Center on Foreign Relations, as of 2018, 139 countries have joined the BRI.) China is leveraging the initiative to expand global yuan usage. China has further concluded bilateral agreements for local currency trading and local currency swaps with every member of ASEAN; with all other members of the BRICS group; with all members of the SCO; with major African exporters like South Africa, Nigeria, and Ghana; with Latin American partners Brazil, Argentina, Bolivia, and El Salvador; and with major oil-producers like Saudi Arabia, Iran, Iraq, and the UAE.

A Non-Hegemonic Financial Future

As this article was being finalized for publication, the United States and European Union continued to grapple with persistent inflation, massive and growing government debts, bond market turbulence, exchange rate volatility, rising corporate bankruptcies, a collapse in commercial real estate, and ongoing banking crises. That the international movement against the dollar comes at a time of economic and financial crisis in the West only amplifies its power. As Afwerki put it to Putin, "We are at a crossroads. We believe we are in transition to a new world order."

The dollar and the euro aren't just currencies. For many of the world's people and countries, they are potent symbols of Western domination and weapons in the service of Western empires. The Ukraine war has been a critical political event for the dollar, a major shock that severely undermined international trust in and the perceived legitimacy of Western governments and economies, catalyzing coordinated resistance and pushback. As Barry Eichengreen and Marc Flaudreau persuasively argued in 2008, "[R]eserve-currency status depends on more than just economic, commercial, and financial size. It also depends on politics… ."

The data coming in since the Ukraine war began—with the dollar rapidly losing ground to many alternatives and competitors all at once, including gold, crypto, and the Five Rs—indicates that a new kind of multipolar currency system is rising. In this emerging system, the dollar and euro co-exist alongside other competitors and alternatives in an open system dominated by no one. D&S

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