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European Languages

زبانهای اروپایی

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16.08.2023

A future multipolar monetary order



Sources: The Economist Gadfly

What is mine is mine, what is yours is negotiable

Many They assure that the hegemony of the dollar has touched its ceiling, despite the fact that the currency The United States continues to dominate world trade, finance and Reserve portfolios of central banks around the world. The narrative On its supremacy and the possibility that it will be displaced or supplanted has been installed and has called into question its hegemony. For this reason, demonstrate whether Data kills the story might be a good idea.

The What does seem certain is that from the 2008 crisis several events Geopolitics shook the world and called into question the monetary order international: the Euro crisis in 2012, the Covid-19 pandemic, the disastrous results of the current economic model in the West, tensions geopolitics, the war in Ukraine, sanctions on Russia and China, the inflation, the breakdown of the supply chain, the escalation of interest.

All These events have caused the world to reassess power relations. in the international monetary system. Analyzing the hegemony of the dollar forms Part of this logic, as well as looking for alternatives to deposit the surpluses generated by surplus trade in raw materials, over all from the Global South. The BRICS emerged by promoting alternative use to dollar, creating different financing mechanisms, including that of Imagine and design banks for this purpose.

Now, this idea of creating alternatives to deposit The surpluses generated in different currencies, has given rise to a look The wrong financial structure that must be invented, especially for non-economists. Therefore, to begin with, let's define what a currency is. international. It is all that money that is used outside its issuing State to fulfill three basic functions: *medium of exchange, Unit of account and store of value*:

- As a medium of exchange it is used by private agents as a vehicle for cross-border and state-owned trade, such as central banks in the Foreign exchange interventions.
- As a unit of account, it is used by the private sector to invoice the trade of goods and by national authorities to anchor their currency to it national or to establish local prices of international securities.
- As a store of value, it serves private investors in their allocation of portfolios and national governments as official reserve assets.

These Basic functions are to be aspired in case of competing with the dollar or by creating an alternative currency. The following table shows that the dollar American stands above all other currencies at a glance superficial. A slightly more precise look shows that, indeed, in In many respects, the dollar continues to reign, at least accounting for 88% of All commercial operations in 2022, however, in reserves officials has experienced a prolonged decline since the beginning of the century, going from 71% in 1999 to 58% in 2022.

The The euro continues at all levels its unlimited fall, losing the levels of the 30% of the store of value it had before the 2008 crisis, let alone its participation in trade, where it reigns only in the Union. The one that does shows signs of expanding is the Chinese renminbi, although its share is meagre, as the painting shows, but just the look a little more detailed, suggests that it is a country that has advanced financially and economically in a brilliant if we place ourselves 20 years ago. Its currency did not appear in the world, today it is part of the basket of currencies of the International Rights of IMF drawing (SDR) and significantly increased its trade in that currency, especially with Russia, displacing the dollar, passing 90% of transactions to 40%.

Comparison of different international currencies 2022

Moneda	Comercio de divisas	Reservas oficiales	P
Dólar	88.5	58.4	
Euro	30.5	20.5	
Yen	16.7	5.5	
Libra esterlina	12.9	4.9	
Renminbi	7.0	2.7	

Notas: (a) como hay dos monedas involucradas en cada transacción, la suma de las cuotas en monedas ir 200%; y (b) incluyendo pagos dentro de la eurozona. Fuente: elaboración propia a partir de datos del BPI SWIFT (sf).

Yes It exports much more than it imports and therefore has reserves of Really big currencies, like Russia, there's nowhere else to keep them other than not whether dollars or euros. When sanctions were applied to Russia, one of the The question was whether a monetary system that conferred such unilateral power on the United States could be sustainable, Especially for the other actors who looked at such an outrage.

It should be borne in mind first of all that the system of Dollar is a commercial and financial network. Political and military power plays a role in anchoring the dollar's global dominance, says [Adam Tooze](#), but the most trivial reason for its adoption as the main currency of Trade and finance is that its liquidity is abundant and cheap, and it is a currency universally accepted. That's why about 90%, like shows the table of all currency transactions, they are made in dollars, a daily turnover of \$ 6 billion.

To In my view, the United States has argued in a risky manner that the Sanctions condition the use of the dollar to adherence to foreign policy American; In case of opposition, there is a risk of being punished. The Alternative for third countries is to encourage migration to other systems Financial. The multiplication of punishments has

achieved that 30% of all Countries face sanctions from the West against 10% in the decade of 1990; The indirect effects of these measures have become visible. Indeed, the Global South's response to Russia's invasion of Ukraine seems to be support this theory of "sanctions overreach".

An extensive analysis by [Cambridge Elements, Can the BRICS De-Dollarize the Global Financial System?](#) that will serve as a guide, emphasizes studies that have theorized about the conditions under which a rising power coalition, the BRICS in This case could follow two counter-hegemonic strategies to confront the dollar. The coalition can challenge the current leadership with a "**go**" **approach. only**" where its members could exclude the United States and operate outside the existing system and even establishing new institutions. In the The second option would be to persuade the United States to change its customs, the alternative theory where you want to "**modify the status quo**", that is, to reform the main existing institutions.

The The second way, that of modifying the status quo is the quickest way, but it does not exist. today. Try to modify the guidelines in the agencies international through the vote of the 5 countries that make up the BRICS is impossible, even less with the American preeminence in that aspect. One of the The coalition's alternative to this impossibility is to promote the use of the Local currency in the global trading system to elevate currency status Alternatives to the dominant US dollar, an initiative that is being taken Implementing. Its members can reduce their own reserve holdings by dollars or dollar-denominated assets to defend against risks related to currency and sanctions. They may also try to diversify the current world monetary composition by promoting alternative currencies, such as other national currencies, supranational currencies or, even, digital currencies. Finally, the members of the coalition also They can create and expand non-dollar-based stock markets in the existing global financial system to divert capital from markets based on dollars.

The It is true that some of these options are highly risky, such as Decrease in reserves. China is the second country with bond holdings American, US\$ 867B in 2023, although in 2019 it had US\$ 1.1 billion, it is that is, 261 million less. In four years it was detached from that amount slowly, but not after the war. But attacking the The price of bonds by selling them directly affects the value of their holdings.

The The first initiative, "going it alone" to confront the West, is an alternative to longer term because the created components have to mature. This includes a wide range of BRICS de-dollarization initiatives, encompassing the use of institutional and market

mechanisms to mitigate risk exposure from BRICS members to the hegemonic power of the dollar. Since 2014 it was approved the creation of a New Development Bank (NDB), also called the Bank of the BRICS, and the Contingent Reserve Agreement (CRA). The New Bank was created as alternative to international organizations, such as the World Bank (WB) and the International Monetary Fund (IMF). One for infrastructure and the other support short-term liquidity to members through currency swaps to help mitigate the balance of payments crisis situation, in the event of Let such a situation arise.

Herself You need to modify the current state of your international payments infrastructure led by the West, it is represented by SWIFT and CHIPS. SWIFT is a private cooperative society that partners with your messaging system for financial payments. Using standard codes and formats, SWIFT is the Main messaging network through which payments are made International. Banks around the world send and receive these messages to debit or credit your customers, not only in dollars, but also in other dollars foreign exchange. SWIFT messages generate huge amounts of financial data, that the U.S. Treasury Department uses to track flows financial institutions and combating illicit financing, even when banks Americans are not the largest shareholders.

The Second major infrastructure that supports dollar dominance, minus known, is the Interbank Payment System of the Clearing House of USA, or CHIPS. It works as a mechanism of real clearing to transfer high-value payments, and like SWIFT, It is also privately owned and a vital element of the payments system. International led by the U.S. CHIPS, along with Fedwire, the The Fed's real-time gross settlement system, is the main Network for high-value domestic and international transactions denominated in dollars. The most important thing to note is that CHIPS moves money between accounts, not just messages, and find a way to circumvent Western clearing houses may not be as easy as with SWIFT.

Oposing this payment infrastructure focuses on increase the international use of an alternative currency, which raises several challenges, as the case of China demonstrates. The first is that other countries must be willing to accept payment in that currency. The second is that it is It is possible to trade the currency at a reasonable cost. The People's Bank of China It has tried to achieve this by signing a series of bilateral agreements on *swap* lines with foreign central banks to provide liquidity and activate it for commercial purposes. Instead they have been used on all to grant emergency loans and refinance the debt of certain partners in need, such as the recent Argentine case. The third Point is the

existence of a reliable mechanism to transfer payments between national and foreign entities, which is where a camera of compensation.

Is I mean, it is possible to create an alternative SWIF and CHIPS, the answer is yes, but It is one thing to build the infrastructures through which traffic can flow and Another thing is that it is a guarantee that other countries want to use them. China created an Interbank Payment System (CIPS) based on the Renminbi. The network CIPS are growing and, although Chinese banks still constitute the bulk Of the participants, other countries could join in the future. Here enter the expansion of the BRICS, and an interesting theory, which we will expose to This is that of economist Paulo Nogueira Batista Jr., who among others He held the vice-presidency of the BRICS Development Bank, which places him as an expert insider of that coalition.

His The idea has to do with the fact that the expansion of the BRICS would delay cohesion, which which has a significant relevance, if we understand that the United States maintains its power, representing 24% of world GDP. In your settings The current BRICS group is already unbalanced, due to the relative weight of China. Enlargement would exacerbate the problem. Many emerging economies and development depend on China for trade, investment, financing of development and even emergency balance of payments support, hence China is driving the entry of new members, followed by Russia, which has a similar motivation, as it also faces systematic hostility of the US, which sees its rise as a strategic threat. That is, the asymmetries They would deepen with the enlargement of new members, weakening the power of influence of Brazil and South Africa and increasing that of China.

The interesting thing is that it poses [an alternative to increase membership](#) through an expansion in the entry of new countries as partners in the New Development Bank (NDB), today chaired by former President Dilma Rousseff; streamline the process, which is Fundamental for the Bank to become a world-class institution. It can be assumed that many of the countries interested in joining the political formation-bank also want to become members of the BRICS and The bank's influence would expand over time, as happened with the IMF.

In In summary, the dollar continues to dominate the global economy, but there are many powers that want to move away from it, at some point by choice, today perhaps out of fear. However, the truth is that the two alternative models we saw they are still much smaller in scale and need time to mature, and the The result of the study points towards a third initiative, which would be between "Go it alone" and "change the status quo." BRICS

make many calls for de-dollarization, but the dollar remains the currency of choice for governments, Companies and financial institutions around the world to perform trade and investment. Anyway, the clock of his Lifespan is accelerated by every controversial decision.

Source: <https://eltabanoeconomista.wordpress.com/2023/08/13/un-futuro-orden-monetario-multipolar/>

Rebellion 15.08.2023