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Emerging Financial Cooperation in the Developing World

De-dollarization Against Hegemonism

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Principles of Publication

At a time when US ambitions for a unipolar world order have lost their appeal, a new order is taking shape thanks to the multipolarization of world politics and the acceleration of cooperation between developing countries, rejecting the globalism of imperialist states. Under these conditions, the new agenda of global cooperation should respond to the needs and aspirations of developing countries seeking joint development and solidarity under the guidance of public-driven projects. In particular, the Belt and Road Initiative (BRI) -put forward in 2013 by Xi Jinping, President of the People's Republic of China- provides a suitable opportunity and a sound foundation for the implementation of this new agenda of global cooperation.

BRI is an epoch-making move to re-implement the concept of the Silk Road, which dates back 2,000 years, to a time when China was immensely contributing to global prosperity and the development of trade and cooperation. The revival of this concept entails a much more comprehensive approach that also incorporates rail and sea transport, and digital systems.

BRI proposes to bring together over 60 countries across Asia, Europe, Africa, and Latin America –together accounting for nearly half of the world's gross domestic product– for prosperity and development at the initiative of China. Unlike the Western-centered world order, BRI seeks peaceful collaboration for improving global trade and production towards common goals for humanity. It firmly rejects crude imperialist exploitation. Two thousand years ago, the Silk Road was a conduit for the flow of gunpowder, spices, silk, compasses and paper to the world. Today, it offers artificial intelligence, quantum computers, new energy and material technologies, and space-age visions to developing countries. In addition, the New Silk Road provides incentives and opportunities for the development and implementation of bio-economic schemes in stakeholder countries against the threat of climate change and other environmental threats that bring the entire ecosystem to the brink of extinction.

Türkiye has a significant role –real and potential– in accelerating South-South cooperation. Türkiye is conveniently located as Asia's farthest outpost to the West. It assumes a critical position as a pivotal country on BRI's North-South and East-West axes. However, China's development and BRI's contribution to the future of humanity have remained to a large extent underrecognized and superficially evaluated in Turkish academia, media, and politics. This is mainly because Türkiye's academics, media professionals, and policy makers have been observing China using Western sources. In the same manner, China and BRI's other potential partners have been viewing Türkiye through a Western lens.

BRIQ has committed itself to developing an in-depth understanding of the present era, with a particular emphasis on the new opportunities and obstacles on the road to the New Asian Century.

BRIQ assumes the task of providing direct exchange of views and information among Chinese and Turkish academics, intellectuals, and policy makers. In the meantime, this journal will serve as a platform to bring together the intellectual accumulation of the whole world, especially developing countries, on the basis of the Belt and Road Initiative, which presents a historic opportunity for the common future of humanity.

BRIQ is also devoted to publishing research and other intellectual contributions that underline the transformative power of public-driven economies, where popular interests are upheld as the basic principle, ahead of individual profit. The fundamental tasks of BRIQ are to demonstrate how BRI can contribute to the implementation of this public-driven model, and to help potential BRI partners -including Türkiye- to realize their real potential.

BRIQ stands for the unity of humanity and a fair world order. It will therefore be a publication for the world's distinguished intellectuals, especially those from Eurasia, Africa, and the Americas: the defenders of a new civilization rising from Asia on the basis of peace, fraternity, cooperation, prosperity, social benefit and common development.

Submission Guidelines

BRIQ features a broad range of content, from academic articles to book reviews, review essays, interviews, news reports, and feature articles.

The Editorial Board can issue calls for papers for special issues and invite authors to contribute manuscripts; however, it also welcomes unsolicited submissions.

Submissions are invited in English or Turkish. All submissions are to include a short biography (150-word limit) and should be sent as Microsoft Word attachments to briq@briqjournal.com Articles or other content that have been previously published or are under review by other journals will not be considered for publication.

BRIQ follows American Psychology Association (APA style, 6th edition, https://www.apastyle.org) and uses American English spelling.

BRIQ applies a double-blind review process for all academic articles.

Academic articles should be between 5000 and 9000 words in length, including abstracts, notes, references, and all other content. Please supply a cover page that includes complete author information, and a fully anonymized manuscript that also contains an abstract (200-word limit) and five keywords.

Book reviews should not exceed 1,000 words; review essays covering two or more works can be up to 3,000 words.

News reports consisting of brief analyses of news developments should not exceed 1,500 words; feature articles combining reporting and analysis can be up to 3,500 words.

Please contact the Editorial Board for interview proposals.

EDITORIAL

The gradual collapse of dollar hegemony paves the way for a just international order

The dollar-centric global financial system, established by the US in the aftermath of World War II through the Bretton Woods Agreement, is steadily unraveling. This decline is an objective reality. Both the creators of this system and the developing countries, which have suffered its detrimental global effects, are becoming increasingly aware of the waning dominance of dollar hegemony. But what are the implications of the de-dollarization trend in the international sphere, and what will be the outcomes of the strategies adopted by both imperialist powerhouses and developing nations in response to this shift? This issue addresses these questions.

There is a clear parallel between the rise of multipolarity and the de-dollarization process. The world is transitioning towards multipolarity, both as a driver and a result of the diminishing dollar dominance. The efforts of Russia and China to establish alternative forms of financial cooperation, despite facing opposition from the US-led Atlantic alliance, are gaining substantial ground. More significantly, these initiatives are becoming emblematic of a broader movement within the developing world.

The weakening of dollar hegemony is offering the global community, long constrained by imperialist financial controls, a much-needed reprieve. This shift is marked by increased trade in national currencies among developing countries, the formulation of collaborative policies by central banks, the emergence of alternative payment systems to challenge the US-dominated SWIFT, and proactive measures within the BRICS+6 framework to hasten the dissolution of the dollar empire. Furthermore, institutions like the Asian Infrastructure Investment Bank and the New Development Bank are emerging as viable financial alternatives for the developing world, in contrast to the IMF and World Bank, which have traditionally perpetuated dollar hegemony. Additionally, the Belt and Road Initiative, underpinned by mutually beneficial funding, heralds a new era of multilateral international cooperation. Consequently, we are witnessing the formation of financial cooperation mechanisms that align with the vital needs of developing states, replacing the Atlantic-centric system that often functioned as a tool of international leverage and extortion. Ultimately, the decline of dollar hegemony is setting the stage for a more just international system.

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BRIQ Chairman Adnan Akfırat and Editorial Board Coordinator Efe Can Gürcan participated in two distinct international forums held in China this September. During the 16th Forum of the World Association for Political Economy (WAPE), which took place on Pingtan Island from September 25-27, 2023, Akfırat was elected Vice President of WAPE, while Gürcan was elected as a WAPE Council member. Additionally, Gürcan received the WAPE's "2023 Distinguished Achievement Award in Political Economy." The forum's theme, "China's Modernization and the Outlook of World Modernization," facilitated discussions on China's unique modernization approach, distinct from Western models, and explored various pathways for national and global modernization.

Akfırat and Gürcan also presented at the "4th International Academic Forum on Human Civilization and Cultural Development" held at the Northwest Polytechnic University (NPU), BRIQ's publishing partner, in Xi'an on September 28–29, 2023. This significant academic event, commemorating the 85th anniversary of NPU, featured lively discussions with nearly 200 participants, including experts, academics, and students from the USA, UK, Russia, Greece, Canada, Mexico, Turkey, and several other countries.

For detailed information about both events, visit BRIQ Online Working Papers at https://arastirma.istinye.edu.tr/merkezler/kuycam/yayinlar under the title "Conference Reports".

FİKRET AKFIRAT
Editor-in-Chief

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Peer-Reviewed Review Article

Research on the Mechanism of Dollarization and De-dollarization under the Global Financialization System

CHENG ENFU *
Prof. Dr.
Northwestern Polytechnical University
Chief Editor of World Review of Political Economy

LU CHUNYI **
Prof. Dr.
Shanghai University of International Business and Economics

**Cheng Enfu was born in 1950 in Shanghai. He is an educator of doctoral studies, a member of National People's Congress, academic president of the Academy of Marxism (there is also political individual responsible of such institutions in China). Cheng Enfu is a figure who the Communist Party of China takes him opinions on various topics especially on economic issues by inviting him meetings. He is one of the prominent fourth generation economists in Chinese and Japonese presitgious newspapers. It is accepted that he is one of the most creative economists in China. Cheng Enfu serves various tasks as president of the Chinese Academy of Social Sciences (CASS).*

E-mail: ict@cass.org.cn　　*ORCID: https://orcid.org/0000-0002-9236-1916*

***Lu Chunyi, Ph.D. in Economics, Professor of Finance, graduated from Shanghai University of Finance and Economics, engaged in postdoctoral research at the School of Economics at Fudan University. He was a visiting scholar at the University of Massachusetts in the United States. He is engaged in research on issues such as financialization and financial openness.*

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ABSTRACT

Based on Marxist monetary theory, this paper investigates the formation mechanism of dollarization, its real-world impacts, and corresponding countermeasures. From a financialization perspective, the internationally dominated monetary system by the U.S. dollar has undergone three stages: the gold-dollar system, the oil-dollar system, and the institution-dollar system. Among them, the institution-dollar system, also known as the global financialization system, is a fusion of commodity and financial markets, domestic and international markets, achieved through financialization under the neoliberal institutional framework. It has further promoted the expansion of the U.S. dollar's international monetary power. The expansion of international monetary power is primarily achieved through dollarization, and global dollarization is realized through three financialization mechanisms: commodity financialization, technological financialization, and institutional financialization. Commodity financialization serves as the foundation for global dollarization, technological financialization acts as the catalyst, and institutional financialization provides the fundamental guarantee for global dollarization. Dollarization, centered around U.S. interests, has serious consequences for peripheral countries. The peripheral countries can counter dollarization by promoting international monetary diversification, curbing technological financialization, and fully recognizing the risks associated with neoliberal reforms: liberalization, privatization, and marketization (LPM). China should prioritize the management of its financial strength and adopt high-quality economic development and Renminbi internationalization as core strategies to advance de-dollarization.

Keywords: Global financialization system, Dollarization, De-dollarization, Financial Theory of Political Economy, LPM Mechanism.

Introduction

IN 2022, THE OUTBREAK OF THE RUSSIA-Ukrainian War led to the freezing of Russia's foreign exchange reserves by Europe and the United States, causing the international community to question the security of assets denominated in the U.S. dollar within the global financialization system. As a result, countries worldwide began to seek to hold reserves in assets such as gold and commodities. At this juncture, countries holding significant amounts of U.S. dollar reserves have two ways to safeguard their interests. One approach is to sell foreign exchange assets and purchase commodities from countries like Russia. The other approach involves implementing quantitative easing policies to buy foreign commodities with their currencies, which would lead to inflation of the U.S. dollar.

Consequently, dollarized countries may suffer losses from two perspectives. On one hand, they will directly bear the consequences of U.S. dollar inflation. On the other hand, the anti-inflation policies implemented by the United States will directly impact the economic development of dollarized countries. In fact, there have already been numerous studies on dollarization and its effects.

The dollarization phenomenon first appeared in the late 18th century, with typical cases occurring in Latin American countries during the 1970s. Based on the extent of the influence of the U.S. dollar, dollarization can take various forms and be categorized into de facto dollarization, de facto process of dollarization, and de facto policy of dollarization (Zhang, 1999: 17-25). From the perspective of currency substitution, dollarization can be classified into three levels: currency substitution, fixed exchange rate, and legal tender currency (Song, 2006). From a functional perspective, there are transaction dollarization, asset dollarization, deposit dollarization, etc. (Li & Huang, 1999; Reinhart, et al.; 2003; Mwase & Kumah, 2015), and dollarization resulting from arbitrage (Geng et al., 2018: 5-21). Depending on the dominant entity, dollarization can be categorized as official, semi-official, and unofficial (Cai & Yi, 2003: 5-10).

Through case studies of dollarization in Latin American countries, it is found that loan dollarization and deposit dollarization influence each other, with deposit dollarization promoting loan dollarization.

The degree of dollarization can be divided into full and partial dollarization, as well as high, medium, and low levels of dollarization (Husain, 2006: 13). Most Western economists view that dollarization serves the function of reducing inflation and stabilizing financial markets in small and medium-sized developing countries, such as Argentina and Ecuador (Mary, 2008: 335-355), and contributes to stabilizing economic policies and enhancing the efficiency of financial markets in emerging economies (Naceur et al., 2015: 4; Mendoza et al., 2017: 2-10).

Scholars have researched the reasons for dollarization from perspectives such as inflation, external shocks, and exchange rate fluctuations. Through case studies of dollarization in Latin American countries, it is found that loan dollarization and deposit dollarization influence each other, with deposit dollarization promoting loan dollarization (Luca et al., 2008; Nendis, 2009; Isakova, 2010; Escribano, 2011). Throughout the transformation of the international monetary system, the global standing of the U.S. dollar has been steadily increasing. Concurrently, severe inflation and significant currency devaluation in peripheral countries have led to a phenomenon known as dollarization, where these countries adopt the U.S. dollar as their preferred currency (He & Lianj, 2015: 31-36). External market shocks can significantly impact the dollarization of economies, and fluctuations in commodity prices play a crucial role in promoting dollarization, particularly in resource-rich countries (Catão & Terrones, 2016). Some scholars have analyzed using portfolio models and found that the reasons for dollarization in some European or Central Asian economies are driven by investor arbitrage (Geng et al., 2018: 5-21). For Central Asian countries, the direct reason for their high degree of dollarization is the economic recession caused by the disintegration of the Soviet Union (Wang et al., 2018: 74-83; 2019: 109-118).

From the perspective of the formation mechanism, Western economists, under the assumption of a free market system, use the theory of money demand to construct models such as the cash reserve model and transaction cost model to study the various mechanisms of mutual substitution among different currencies in the circulation field. They point out

Dollarization is believed to lead to financial instability in a country, thus increasing the likelihood of a financial crisis (Photo: CGTN, 2022).

that the key to dollarization is the long-term high yield from holding dollar assets (Wei & Fang, 2003: 66-80).In contrast to the view of Western economists that dollarization costs are short-term but can yield medium to long-term profits, Marxist economists point out through the construction of a stock-flow consistency model that dollarized countries are unable to use exchange rate policies to correct payment imbalances, resulting in a deterioration of the current account and leading to a decline in GDP and fiscal revenue (Izurieta, 2003).

Analysis of a dollarized economy growth model based on Thirlwall's model shows that the steady-state economic growth rate of dollarized countries is lower than that of countries with sovereign currencies, and the economic growth of dollarized countries is quite unstable. Under unchanged conditions, dollarized countries are more prone to falling into a debt trap (Missaglia, 2021: 656-686). Most Marxist scholars believe that dollarization is the main way for the expansion of the power of the U.S. dollar as an international currency. The United States exacerbates the plight of dollarized countries through economic policies such as fiscal deficit monetization (Ren & Cheng, 2021: 5-20; Gong & Zhao, 2021: 87-104). Before the Russia-Ukrainian War, "de-dollarization" had become a global topic due to the subprime crisis. It is generally believed that de-dollarization weakens or eliminates the effectiveness of a country's monetary and exchange rate policies, leading to financial instability and increased financial risks, thus raising the probability of a financial crisis. Therefore, economies with favorable conditions should strive to achieve de-dollarization as soon as possible (Kokenyne et al., 2010). Regarding the Asian region, research has found that the Chinese yuan plays a significant role in influencing exchange rate fluctuations in Asia and could become an important pole in the international currency system's diversification.

Consequently, it becomes one of the optional international reserves after de-dollarization (Fratzscher & Mehl, 2013: 1343-1370). Studies focusing on emerging economies indicate that the abuse of the dollar's privilege in the current international monetary system is a significant reason for financial crises. Therefore, achieving currency diversification for reserves is crucial as soon as possible (Fratzscher & Mehl, 2013: 1343-1370).

Research examining the influence of dollarization on China indicates that its presence in international economic exchanges exerts a considerably adverse impact on China's economy and social welfare.

Some scholars focus on de-dollarization in dollarized countries. Research shows that over a dozen countries[1] have completely or partially achieved de-dollarization through macroeconomic policies such as relaxing exchange rate floating ranges, expanding the spread between domestic and foreign currency deposit rates, and raising foreign exchange loan rates, in addition to microeconomic measures such as raising the criteria for using foreign currency and foreign currency deposit insurance premiums (Kokenyne et al., 2010). Southeast Asian[2] countries are implementing measures to promote the use of their domestic currencies and reduce their dependence on the U.S. dollar to achieve de-dollarization rapidly (Kubo, 2017). Some "Belt and Road Initiative" participating countries are progressively adopting local currency pricing for diverse transactions through currency cooperation with China, thus paving the way for de-dollarization (Linn &Zucker, 2019). Remarkably, research examining the influence of dollarization on China indicates that its presence in international economic exchanges exerts a considerably adverse impact on China's economy and social welfare. By reducing the level of dollarization, China can fortify itself against external shocks, foster the growth of its domestic real economy, and substantially enhance social welfare (Wang et al., 2022: 79-136).

Existing literature on dollarization predominantly delves into its significance, root causes, evolutionary trajectory, and ramifications using case studies and empirical analyses. These studies primarily employ Western economic methodologies, making it challenging to truly delve into the essence of dollarization, particularly when researching its formation mechanism. They are merely grounded in extreme assumptions such as rational economic agents and fail to account for social and environmental changes, leading to their conclusions frequently diverging from reality. This paper commences by delving into the Marxist financialization theory, thoroughly examining the essence and formation mechanism of dollarization. The findings hold valuable insights for the selection of de-dollarization strategies.

Marxist Theory of Currency Internationalization

The foundation of dollarization lies in the internationalization of the U.S. dollar. Karl Marx held the view that the internationalization of currency is manifested as the internationalization of monetary functions, and its essence resides in the internationalization of monetary power. As a matter of fact, dollarization is the primary means of expanding international monetary power.

The essence of currency internationalization is the internationalization of monetary power

According to the principle of the dual nature of labor, concrete labor produces use value, and abstract labor produces exchange value. Value represents social relations between individuals in the production process and is abstract and intangible. This abstract and intangible value needs tangible carriers to exist, with different carriers reflecting different forms of value. The primary form of value is the use value, the second form is the exchange value (i.e., the exchange of goods), and the third form is currency (i.e., the general equivalent). The transformation of value carriers occurs through transactions: during the exchange of goods, the value is carried by the use value of the exchanged object. During monetary transactions, the value is carried by currency, the "general equivalent". Therefore, currency is the carrier of value.

Value carries a dual meaning. First, it pertains to the role and significance of value created by labor to others. Second, it involves the dependence that others develop on this labor. This dependency gives rise to the power to control the labor of others, meaning "others must provide their labor in exchange for the goods and services provided by this labor" (Journalist, 2018: 19-28). Consequently, currency, as the carrier of value, possesses this power. "Each individual exercises the power to dominate others or control social wealth by being an owner of exchange value or currency. The social power and connection with society are contained in their pockets." (Marx and Engels Collected Works, 2009: 51). Therefore, money not only embodies the social value of labor that serves others but also becomes a symbol of the power that individuals possess to control social resources. However, the current sovereign currency (paper money, digital currency, etc.) lacks intrinsic use value. Nevertheless, the state absorbs labor value through political power by issuing sovereign currency. Hence, sovereign currency is a product of political and economic power.

To become a world currency, a sovereign currency must meet certain requirements from both the supply and demand sides. From the supply perspective, the currency's value should be stable and widely accepted as a carrier of value. From the demand perspective, international trade should be limited to using that currency, forcing laborers from different countries to use it as a carrier of labor value (Yuan, 2021: 58-69). Once a sovereign currency becomes a world currency, its monetary power expands to the international level, becoming a symbol controlling the world's social resources. The U.S. dollar exemplifies this international currency. Based on its strong economic and military power, the United States demands global commodity transactions to be settled in U.S. dollars, thus exploiting labor value worldwide (Lu, 2018).

Financialization promotes the expansion of international monetary power

Financialization enhances the power of sovereign currency

Marxism views that currency, as the carrier of value, reflects social relations among individuals and possesses the power to control the labor of others, while financialization can enhance this power. Firstly, financialization elevates the power and capacity of currency. Financialization is a phenomenon where financial instruments are further derived (i.e., currency futures, currency options, etc.), extending control and enhancing the influence of the currency.

Secondly, currency power is derived through commodity financialization. Financialization tightly links various commodities and assets with currency, extending currency power to commodities and assets. Especially with commodity financialization, it not only strengthens currency's control over such commodities due to improved tradability, but also imbues the financialized commodities with certain monetary characteristics (i.e., value storage). As a result, financialized commodities gain additional power from sovereign currency (i.e., the ability to control other labor). This additional power does not divide the power of sovereign currency but emerges from the commodity value transformation after financialization. Essentially, it is a derivative power built upon the foundation of the original power of sovereign currency. Consequently, commodity financialization enhances the power of sovereign currency.

Financialization promotes the internationalization of the U.S. dollar through credit

From the perspective of value anchoring, the internationalization of the U.S. dollar has gone through three stages: gold-anchored internationalization, oil-anchored internationalization, and neoliberal system-anchored internationalization. Correspondingly, the international monetary system since World War II can be divided into the gold-dollar system (the Bretton Woods system), the oil-dollar system (the Jamaica system), and the system-dollar system (the financialization system).

The gold-dollar system originated from the Bretton Woods Conference and was essentially a gold exchange standard. The U.S. dollar was directly convertible to gold. Other countries' sovereign currencies could be exchanged for gold through the U.S. dollar. This led countries worldwide to hold U.S. dollars as settlement and reserve currency, forming the basis for the dollar's internationalization. The international monetary power of the U.S. dollar depended on the natural monetary status of gold. However, the "Triffin Dilemma" led the United States to abandon the commitment to convertibility between the U.S. dollar and gold. Gold was no longer the basis for the internationalization of the U.S. dollar.

To maintain the international monetary power of the U.S. dollar, the United States found a new anchor for value: oil, which was essential for industrialization worldwide. The U.S. agreed to provide military assistance and protection to Saudi Arabia. In return, Saudi Arabia agreed to settle all its oil transactions in U.S. dollars, known as the "petrodollar agreement".[3] As Saudi Arabia was the largest oil-producing country in OPEC and the largest oil-exporting country, other countries quickly adopted the U.S. dollar for oil transactions, establishing the oil-dollar system. After commodities like oil were financialized, the international financial market formed a pricing and settlement cycle centered around the U.S. dollar as a credit currency, known as the global financialization system (Lu, 2021).

The institutional-dollar system originated from the Washington Consensus. It was essentially an international monetary system[4] where sovereign currencies of various countries were linked to the U.S. dollar through the neoliberal system built upon the financialization of commodities like oil. A key feature of this system was the symbolization of sovereign currencies anchored to the U.S. dollar, increasing their interchangeability. As a result, alternative currencies (i.e., various quasi-currencies) measured by liquidity flooded the developed financial markets. Simultaneously, various financialized goods and assets from various countries were introduced into the international financial market, turning it into the dominant center power of global commodities, with the U.S. dollar as the hegemon of monetary power. Of course, the U.S. dollar is also a sovereign currency, and the global financialization system centered around it essentially falls under the will of the United States.

In his testimony to the US Congress in 1960, economist Robert Triffin identified a fundamental problem in the international monetary system. This problem, known as the Triffin Dilemma, is the contradiction between printing dollars to cover the current account deficit and maintaining confidence in the dollar (Photo: IMF, 2023).

Financialization increases the speed of the monetary internationalization cycle

Once a sovereign currency becomes internationalized and widely used in international trade by most countries, it acquires a public attribute. However, it cannot shed its inherent sovereign attribute as a specific country's currency. As a result, while an international currency performs monetary functions globally (e.g., a measure of value, medium of exchange, and store of value), it plays the same function domestically. Therefore, the issuing country of the international currency must implement a series of measures to ensure the return of the currency from the international market to meet the needs of its domestic economy. This return mechanism can be achieved initially through international trade in goods or formal agreements (i.e., the Bretton Woods Agreement). However, with the expansion and globalization of capitalism and the increasing demand for more internationalized currencies in global trade, a global financial system emerges to tackle the "Triffin dilemma" while generating substantial seigniorage revenue.

This financial system revolves around financialization and financial liberalization. Financialization involves amplifying the financial attributes of various goods and introducing them into the financial market, including mechanisms for price formation and transactions. Through commodity assetization and asset securitization, it closely links economic activities such as production and consumption with financial activities, creating channels for the return of internationalized currencies. It enables swiftly channeling the returned currency into the domestic economy, achieving seamless integration between the returned currency and domestic economy, and allowing the surplus value absorbed worldwide to be conveyed to domestic capital, leading to comprehensive benefits for the domestic capital. Compared to other forms like commodity trade, the liberalization of financial transactions in the global financial system is more conducive to maintaining the sovereign attributes of a world currency. It not only meets the domestic economic needs with the returned currency but also effectively integrates domestic capital circulation with international capital circulation, enabling the control of the global economy by domestic economic policies through institutional design.

Financialization and globalization together promote dollarization

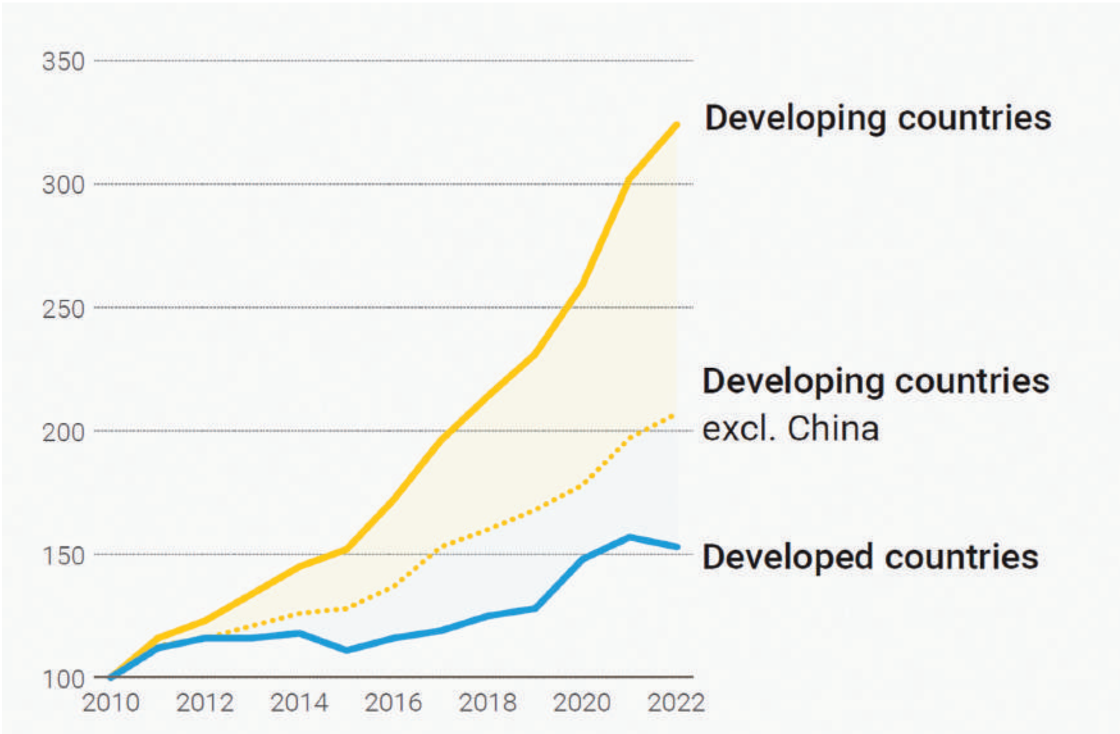
Dollarization is the deepening of the power of the U.S. dollar after its internationalization, representing a substitution of power for other sovereign currencies. At this stage, the U.S. dollar not only wields its sovereign currency power domestically but also extends its influence extensively into other countries' economies and financial systems. As a country experiences financialization, its currency becomes increasingly susceptible to being supplanted by the U.S. dollar, and its resources become more exposed to potential U.S. control. The global financialization system, shaped by the Washington Consensus, represents a prominent phase of dollarization, wherein the U.S. dollar is extensively embraced globally. A substantial volume of U.S. dollars permeates various international domains, displacing certain or even all functions of other countries' sovereign currencies. These functions include pricing, circulation, investment, reserves, and acting as a currency anchor in peripheral countries.

The U.S. dollar accounts for over 85% of international trade settlements and foreign exchange transactions, leaving other countries as price takers.

During global financialization, approximately 95% of global commodities are priced in U.S. dollars, and the U.S. dollar accounts for over 85% of international trade settlements and foreign exchange transactions, leaving other countries as price takers. Following the disintegration of the Bretton Woods system, the share of the U.S. dollar as global international reserves experienced a decline to approximately 45%. However, this proportion consistently remained above 60% throughout the financialization era and often exceeded 70%. Furthermore, nearly one-third of the member countries of the International Monetary Fund (IMF) chose to peg their currencies to the U.S. dollar directly. These phenomena indicate a growing trend among countries within the global financialization system, wherein an increasing number of them are adopting their currencies as partial or complete substitutes for the U.S. dollar to fulfill various functions.

Establishing the global neoliberal financialization system has bolstered the international standing of the credit dollar, concurrently driving the dollarization of sovereign countries. Within this currency system, the credit dollar achieves dollarization through three levels of financialization: The first level involves the financialization of bulk commodities, where the original currency anchor becomes integrated into the financial system, enabling easier circulation, trading, and speculation of commodities. The second level is characterized by technological financialization, where digital capital converges with financial capital, fostering the growth of digital financial instruments and facilitating more efficient aggregation, concentration, and monopolization. The third level is institutional financialization, accomplishing dollarization through the liberalization, privatization, and marketization (LPM) reform, integrating financially driven commodities and technologies into the global financial market, and forming a global circulation system for the U.S. dollar.

Figure 1. Public Debt is Growing Faster in The Developing World



UN Global Crisis Response Group calculations, based on (April 2023) IMF World Economic Outlook (Graph: UNCATD, 2023).

Commodity Financialization is the Basis of Global Dollarization

Commodity financialization enhances the status of the U.S. dollar as an international currency, attracting more countries to replace certain functions of their currencies with the U.S. dollar and U.S. dollar-denominated assets, further expanding the U.S. dollar's international currency power.

Establishing the dollar's power to price bulk commodities

Securing the pricing power for major commodities is the foundation of the dollar's internationalization. The United States has exerted control over oil trading by strategically influencing the Middle East and, in turn, has fostered the dollarization of major commodities through the oil-dollar system. By controlling major commodity pricing, it wields the power to influence the exchange rate by regulating commodity prices, thereby shaping international trade dynamics. Simultaneously, by retaining control over pricing major commodities, it can leverage the ability to export dollars while importing major commodities. This enables the promotion of cross-border use of the dollar and facilitates the dollarization of various assets. Currently, the U.S. dollar serves as a credit currency, replacing gold as the anchor against major commodities and gaining global recognition as the preferred transaction currency.

Financialization of major commodities through the futures pricing system

After establishing the pricing power for spot commodities, the U.S. has successfully implemented a futures pricing system for major commodities, denominated in dollars and standardized in design, effectively achieving the financialization of these commodities[5]. The United States has established commodity futures pricing systems by setting up futures trading markets. These futures trading markets have maintained the status of the U.S. dollar as an international pricing currency and strengthened control over the spot market for major commodities. In addition to establishing futures exchanges domestically, the U.S., through the Marshall Plan, mandated the establishment of dollar-denominated futures exchanges in Europe, eventually forming major commodity pricing centers such as the precious metal pricing center (New York Mercantile Exchange), industrial metal pricing center (London Metal Exchange, New York Commercial Exchange), energy commodity pricing center (New York Commercial Exchange), and agricultural product pricing center (Chicago Mercantile Exchange, London Intercontinental Exchange). These pivotal centers now determine major commodity prices based on the U.S. dollar, directly influencing the choice of currency in international transactions of other countries.

The financialization of major commodities enhances the reserve status of the credit dollar

The process of commodities financialization not only enhances the role of the U.S. dollar as a dominant currency for international trade settlements and pricing but also fosters the growth of the dollar as a significant international investment currency. On the one hand, the U.S. dollar has evolved into a crucial financial trading instrument, serving as a significant investment tool, with dollar futures, dollar options, and other currency derivatives emerging as primary hedging mechanisms within the international financial market. On the other hand, the dollar's progression from pricing commodities to pricing financial assets has greatly promoted the development of the international financial market. Simultaneously, for trading, settling, investing, and hedging purposes, a certain reserve of dollars is required globally, bolstering the dollar's status as an international reserve currency and further displacing the reserve function of peripheral sovereign currencies.

The Financialization of Technology is the Catalyst for Global Dollarization

Technological financialization manifests across four distinct levels: Firstly, emerging technologies function as instruments that expedite the accumulation of financial capital, serving the financial sector's interests. Secondly, the research and development of these new technologies rely on investments from financial capital. Thirdly, technological progress paves the way for the financialization of digital capital. Lastly, the financialization of digital capital enhances the global prominence of the dollar, expediting the displacement of other national currencies.

The development of science and technology promotes rapid financialization of the economy

In the contemporary world, the rapid advancement of information technology and artificial intelligence has led to a profound integration of finance with various technological domains. Information technology has been instrumental in reducing the cost of financial

The advancement of modern communication technology can effectively reduce information asymmetry, alleviate corporate financing difficulties and improve the efficiency of financial resource allocation (Photo: CGTN, 2017).

transactions, extending the reach and availability of financial services, broadening the scope of financial activities, and seamlessly integrating finance into all facets of the economy and society. As a result, this not only fosters the comprehensive financialization of the economy but also paves the way for social financialization.

Firstly, advancing modern communication technology can effectively mitigate information asymmetry, alleviating corporate financing challenges and enhancing the efficiency of financial resource allocation. The integration of information technology in network searches optimizes evaluation efficiency and streamlines transaction services, reducing consumer costs and attracting a substantial influx of consumers into the financial market. Secondly, the platform-based development of finance based on information technology, facilitated by mobile internet, brings financial activities into real-life scenarios. The integration seamlessly and instantaneously aligns ordinary people's financial behaviors, including financing, investment, and payment. As a result, finance becomes intricately connected with individuals' day-to-day lives, ensuring a smooth and cohesive interface between financial transactions and personal activities. Thirdly, building upon the aforementioned advancements, the intersection of finance and technology has given rise to the autonomous emergence of the Fintech industry. This dynamic sector exerts an enduring and all-encompassing influence on product design, business processes, organizational structures, and business models within the financial domain, thus significantly propelling the overall financialization process of society.

Technological advancements cannot be separated from substantial financial capital investment

Every stage of the technological innovation process demands capital, particularly in the case of the highly advanced and risky developments within the information industry. This increasing level of risk underscores the industry's heightened reliance on venture capital. On the one hand, the process of invention and creation demands increasing levels of team collaboration and financial support, while the likelihood of individual innovation is diminishing, gradually being eclipsed by market forces. On the other hand, new technology can only generate profits for capitalists when it is extensively adopted as a capital asset within the industry. Therefore, technological advancements that profoundly impact the economy and society are inherently linked to investments from financial capital. This phenomenon makes the capital market gradually replace bank capital as the incubator for industry innovation and development.

Technological advancement leads to the financialization of digital capital

According to Marxist scholars, the extensive adoption of information technology in financial markets is an inevitable outcome of the development of capitalism to a particular stage, signifying the ascendancy of virtual capital over production (Liu & Cheng, 2022). Digital transactions based on information technology have accelerated the circulation of global financial products, leading to the proliferation of financial derivatives and subsequently complicating the financial landscape, introducing novel uncertainties.

Firstly, the digital revolution of big data, artificial intelligence, and related technologies has created a networked economic model. This model significantly lowers production and transaction costs, seamlessly integrating all economic entities into a networked framework for production and trade. Consequently, resource allocation efficiency and socialization reach new heights, surpassing the economic paradigms of the industrial and financial capital eras. As a result, it is aptly referred to as the development model of digital capital, boasting enhanced surplus value. Secondly, within the digital capital model, currency plays an active and dominant role in the entire process of capital multiplication. The influence of digital technology allows for a more virtual form of capital accumulation. The organizational structure of digital platforms empowers socialized mass production of capitalism with unparalleled flexibility and freedom, surmounting temporal and spatial barriers that once hindered the movement of capital value. Gradually dissociating from the traditional production process, this model facilitates the boundless multiplication of virtual value for digital capital in circulation. Thirdly, the process of digital capital multiplication described above represents the re-virtualization of the original virtual capital through the fusion of digital capital and financial capital, highlighting a significant characteristic of digital capital's financialization. This re-virtualization enables the value cycle to further detach from the real economy, bypassing lengthy production cycles and facilitating the potential for substantial immediate profits.

The financialization of digital capital strengthens the international status of the dollar

In the age of industrial and financial capital, the U.S. dollar has assumed the role of an international currency for pricing, settlement, and reserve purposes. The development of information technology has driven both industrial and financial capital toward digital transformation, fostering a seamless fusion of technology and finance. This convergence has enabled digital capital to spearhead the progressive evolution of the capitalist realm. As the predominant currency within this capitalist world, the U.S. dollar has experienced an amplified and extensive global influence due to digital and financial capital integration. Consequently, it stands a greater chance of supplanting peripheral national sovereign currencies in fulfilling various currency-related functions.

Firstly, digital technology drives the digitization of diverse products and services, manifesting in valuable data information. This data, once commodified, becomes a crucial factor in present-day capitalism, serving as a vital source of surplus value for digital capitalists and a catalyst for the multiplication of digital capital. The amalgamation of digital capital with financial capital leads to the financialization of data information commodities, a process intricately linked to global information channels, with the U.S. dollar and other international currencies playing a pivotal role in this financialization journey. Secondly, the financialization of information data commodities removes temporal and spatial barriers, leading to reduced costs in the flow of various factors. This, in turn, accelerates the worldwide proliferation of capital and amplifies the influence of capital in trade, finance, production, consumption, and other domains. It particularly strengthens the level of capital financialization in these sectors, broadening the range of goods that can be assessed and controlled by the U.S. dollar and other international currencies. Thirdly, the rise of digital capital has led to increased and frequent transactions, contributing to the wider adoption of the dollar and reinforcing its status as a dominant settlement currency. Notably, the proliferation of financial activities like high-frequency trading, quantitative investment, and smart investment advisory services relying on digital technology has significantly amplified the scale and frequency of dollar transactions within the financial markets. Moreover, the emergence of various digital currencies, including digital stable coins pegged to the dollar, further intertwines digital transactions with the dollar, expanding the dollar's sphere of influence in pricing. This expansion of the pricing scope, coupled with the growing prominence of the dollar as a settlement currency, reinforces its reserve value.

Institutional Financialization Is the Foundation of Global Dollarization

It is evident that the financialization of commodities and technology has bolstered the international monetary power of the U.S. dollar, thereby strengthening the U.S. government's control over the global economy through dollarization. Nonetheless, this development is contingent upon a series of favorable institutional arrangements that support the financialization, which can be referred to as institutional financialization. The adoption of a financialized institutional design plays a pivotal role in safeguarding the attainment of global dollarization.

Neoliberal ideology dominates the institutional financialization

Following the collapse of the Bretton Woods system and the development of the Jamaica system, international currencies have experienced greater diversity. Consequently, the U.S. dollar has lost its status as the sole settlement currency for major commodities, leading to a decline in international prominence. In response, the United States secured the status of its primary international currency through institutional financialization, ushering in the era of global financialization[6].

Institutional financialization refers to a series of mechanisms that uphold and promote financial liberalization, and it is grounded in the ideology of neoliberalism. Neoliberalism is a prevailing ideology advocated by the concentration of financial power in monopoly capital. The global financialization system is central to sustaining this ideology, an intricate institutional framework that serves as its backbone. This institutional arrangement not only reinforces the principles of neoliberalism but also plays a pivotal role in preserving the international dominance of the U.S. dollar.

The LPM reforms have played a crucial role in increasing the international credibility and importance of the US dollar.

Neoliberalism, a prominent economic and political ideology, gained traction during the global stagflation crisis in the mid-1970s and found its early advocates in the United States and United Kingdom. This ideology centers on core principles that significantly influenced policies worldwide. These principles encompass privatization, liberalization, marketization, and internationalization. The global financialization system is firmly established upon the principles of private ownership and liberalization, bolstering the international prominence of the U.S. dollar as the dominant reserve currency (Li & Sun, 2020). Free market thinkers like Milton Friedman, who played a significant role in shaping the financialization system, espoused the belief that a country's economic development rests upon the pillars of "absolute liberalization," "thorough privatization," and "comprehensive marketization" (commonly known as the "LPM" mechanism).

Firstly, they passionately underscored the imperative of liberalizing international economic exchanges and ensuring equitable treatment for domestic and foreign transactions. Achieving this vision necessitated eliminating non-tariff barriers, substantially reducing tariffs, and simplifying tax regulations. Secondly, they diligently pursued privatization policies to divest state-owned assets, effectively privatizing all state-owned enterprises and other valuable properties. This comprehensive privatization approach involved strategic joint ventures, leasing arrangements, share sales, and the complete transfer of property rights. Thirdly, they advocated comprehensive market-oriented reforms in the financial sector, including privatization of state-owned assets in the financial sector, liberalization of interest rates and exchange rates, increased openness of capital markets, free convertibility of capital accounts, and the introduction of short selling mechanisms.

Since the 1980s, many developing countries have undertaken significant "LPM" reforms to remove barriers and restrictions. These reforms have effectively facilitated the global integration of the U.S. dollar and other sovereign currencies, enabling them to harness the labor value from around the world and exert considerable influence over the labor markets in other nations. Consequently, these reforms have played a pivotal role in elevating the international standing and prominence of the U.S. dollar.

The "LPM" mechanism promotes the financialization of goods

The economic stagflation that emerged in capitalist countries during the 1970s was essentially due to the contradiction of capital accumulation, leading to an overabundance of goods and

The shift towards financialisation led to the rapid domination of financial monopoly capital in the global economy (Photo: Monthly Review, 2018).

capital, with surplus value that could not be fully realized in the circulation sector. Consequently, financialization in the circulation sector was promoted, encompassing goods and various forms of productive capital. This shift towards financialization led to the rapid dominance of financial monopoly capital in the global economy. The financialization of goods here mainly refers to bulk commodities with typical financial attributes.

Firstly, the pricing of bulk commodities is determined by market mechanisms. The price of goods is jointly determined by their intrinsic value and the forces of market supply and demand, with prices fluctuating around the value. Non-financialized goods, lacking investment value, typically experience minimal price fluctuations since their value is primarily derived from their use value. However, financialized bulk commodities acquire investment value in addition to their original use value. Consequently, their transactions become more speculative, aiming to generate capital gains. This shift in focus moves the pricing of these commodities away from being determined solely by the spot market's supply and demand relationship and towards being influenced by the investment relations of the futures market. American financial capitalists have established standardized futures trading mechanisms in response to this financialization, adhering to financial market trading rules. This development has substantially accelerated the speed of capital turnover and increased the rate of capital profit. It is essential to note that whether it is spot trading or futures trading, American financial capitalists predominantly set the rules governing these markets. Additionally, any currency used to complete the capital cycle must be denominated in dollars due to the significant influence and dominance of the United States in the global financial landscape.

Secondly, the international transmission of bulk commodity prices is determined by market mechanisms. Under the principles of the free flow of capital, the foreign exchange market mechanism determines the international transmission of bulk commodity prices. This mechanism relinquishes the control of countries over the exchange rates between their currency and international currencies such as the U.S. dollar. Consequently, it amplifies the volatility of commodity futures prices in the global financial market. This process enables financial capital to seek profits through speculation and grants developed countries' financial systems the capacity to enter other countries' markets, extracting surplus value at will through the financial market. This increases the frequency of dollar transactions in global markets, expanding the scale of international market transactions.

The "LPM" mechanism promotes the financialization of technology

In technological development, the substantial intervention of capital can serve as a catalyst, offering effective assurances for the continual reproduction of the labor force among innovative workers. This, in turn, acts as a magnet, drawing more labor into the innovative domain and amplifying the likelihood of successful technological innovation. While innovation is undoubtedly important, it is crucial to recognize that the primary objective of capital is not solely focused on innovation but on maximizing profits. Therefore, a significant portion of the outcomes stemming from information technology innovation is directed toward expediting capital circulation and achieving profits. One area where this effect is particularly pronounced is using instant communication technology in financial transactions. This technology has played a pivotal role in promoting the financialization of various goods and capital by enabling the completion of financial transactions in mere seconds.

Once capital is financialized, it undergoes a transformative process enabling it to generate continuous profits and self-replicate through perpetual circulation within the financial sector. The "LPM" policy facilitates technology standardization by streamlining its design, packaging, and valuation processes. This standardized technology is then made available for sale through roadshows. Eventually, the technology transforms into a financial product, enabling it to be freely traded on the financial market, providing opportunities for investors to participate and potentially benefit from its performance and growth.

At this point, technology transforms into a crucial intermediary in the circulation of financial capital. Instead of envisioning long-term profits derived from the industrialization of technology, financial capital, predominantly in the form of venture capital, now prioritizes immediate gains through collateralization, mortgaging, and equity transfer. The phenomenon of financialization within the technology sector has not only fueled the extensive growth of the financial industry but has also accelerated the overall process of economic financialization. Furthermore, it has broadened the realm of the U.S. dollar and other international currencies, making them more indispensable in global markets.

The "LPM" mechanism promotes financial globalization and global dollarization

Privatization, liberalization, and marketization form the bedrock of neoliberal globalization. The unfettered opening of global trade, currency, capital, and talent markets establishes the institutional framework for seamless connections between economies worldwide. Building on this foundation, the application of information technology eliminates the physical distance and barrier between markets, greatly reducing the cost of spatial transfer of financial capital and infinitely expanding its activity space on a global scale, collecting profits from local labor productions. Therefore, the development of globalization fosters the progressive advancement of globalization and the consolidation and monopolization of financial capital, with the specific intention of maximizing the surplus value generated on a global scale. Consequently, globalization has played a pivotal role in facilitating the widespread circulation of the U.S. dollar, culminating in the establishment of a global financial currency system primarily reliant on credit dollars. This phenomenon has led to the dominance of the U.S. dollar, commonly referred to as "dollar hegemony", achieved through a process known as dollarization. In essence, the progression of international market dollar circulation unfolds as follows:

Globalization has played a crucial role in facilitating the widespread circulation of the US dollar.

The Federal Reserve's issuance of U.S. dollars establishes its role as a global currency. Other countries acquire U.S. dollars through currency exchange or selling goods internationally. As a result, the U.S. dollar becomes an international currency, exerting influence over other countries' currencies, financialized goods, and technology. After economic entities in these countries acquire dollars, they return these funds to the United States by acquiring dollar-denominated assets, primarily in the form of bonds. This flow of dollars enables U.S. citizens to purchase goods in the global commodity market for consumption, as the dollar acts as a dominant sovereign currency facilitating international trade transactions. This creates a scenario in which a selected group of monetary policy leaders in the U.S. hold the power to obtain global commodities effortlessly by essentially printing more dollars, as depicted in Figure 2. This phenomenon exemplifies the concept of "dollar hegemony", wherein the U.S. dollar dominates as the world's primary reserve currency. The U.S. can unilaterally alter the dollar's value based on its interests through the Federal Reserve's monetary policy. Consequently, this grants the U.S. a significant advantage in international trade and finance.

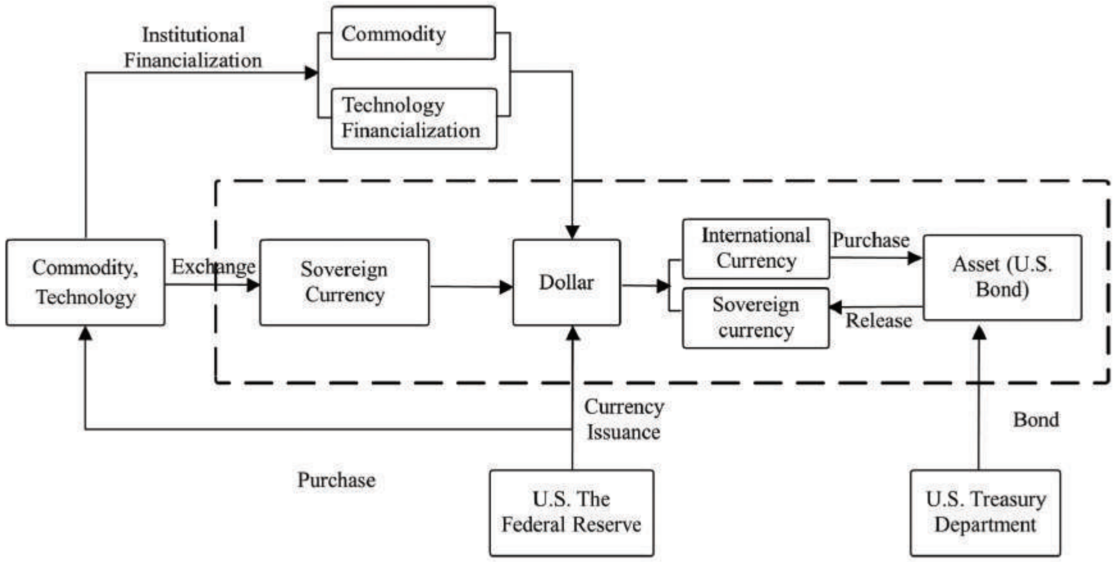
The Adverse Effects of U.S. Interest-First Monetary Policy and De-Dollarization Measures

The Impact of U.S. Interest-First Monetary Policy and De-Dollarization Countermeasures

"Under the "LPM" mechanism, the Federal Reserve's interest rate policy adjustments significantly affect the global economy. For example, the Latin American debt crisis in the 1980s, the Mexican currency crisis in 1994, the Asian financial crisis in 1997, the U.S. subprime crisis in 2007, and the subsequent European debt crisis were affected by interest rate policy adjustments. Starting in 2015, the U.S. interest rate surge led to a substantial capital outflow from certain emerging economies, such as Argentina, resulting in economic recessions.

The U.S. dollar's immense influence and destructive power stem from its international currency status founded on the "LPM" mechanism. When the Federal Reserve raises interest rates to combat inflation and alleviate labor-capital conflicts, it also increases the yields of dollar-denominated assets globally. The cost of dollar-denominated debt also rises accordingly.

Figure 2. The Progression of International Market Dollar Circulation



(Cheng & Lu, 2023).

Consequently, entities facing a dollar shortage curtail dollar financing or repay dollar loans. In contrast, those with dollar surpluses redirect their investments into bolstering their holdings of dollar-denominated assets, such as U.S. Treasury bonds. These economic behaviors result in the repatriation of dollars to the U.S., intensifying capital concentration and consolidation, thereby reinforcing the monopoly grip of financial capitalists.

In peripheral countries, this leads to capital flight, and in severe cases, it triggers financial crises marked by currency devaluation, asset collapses, economic recession, and widespread hardships for the economy. When domestic labor-capital conflicts temporarily ease and financial capitalists reap profit, the U.S. implements quantitative easing through interest rate cuts. The Federal Reserve engages in extensive currency issuance, flooding the global market with a substantial supply of dollars to fulfill the demand for an international reserve currency. During this period, financial capitalists can acquire high-quality assets from peripheral countries at significantly discounted prices through frequent speculation, potentially leading to asset bubbles or an accumulation of excessive debt in these nations. Historically, this process repeats cyclically, ultimately resulting in the value created by labor in peripheral countries gradually transferring into the hands of financial capitalists centered around the United States.

In 2022, the Federal Reserve initiated a series of interest rate hikes, raising rates seven times by the end of December, resulting in a cumulative increase of 4.25%. This time, the interest rate hike was prompted by the surge in inflation resulting from the COVID-19 pandemic and the Russia-Ukraine conflict. However, emerging economies confronted the additional challenge of high inflation and mounting debts, exacerbating the situation of capital outflows. The U.S. prioritizes the dollar's domestic role but overlooks its global currency function. The high-frequency and large-scale interest rate hikes will have devastating consequences for peripheral countries and erode the U.S. dollar's international currency status.

According to statistics, more than 90 financial regulatory authorities worldwide implemented interest rate hikes, influenced by the Federal Reserve's policy, resulting in over 300 times of interest rate increases. These significant interest rate hikes have resulted in higher funding costs, serving as an ominous signal for the onset of economic recessions and indicating potential crises many countries may soon confront. Argentina, once with a high per capita GDP, has been plagued by recurrent economic and financial crises and social unrest following its adoption of privatization and market-oriented reforms rooted in neoliberal economic theory for emerging market countries.

Recommendations for Peripheral Countries' De-dollarization

Alongside the detrimental effects of monetary policy adjustments, the U.S. federal debt had reached nearly $31.4 trillion by the end of 2022, approaching its debt ceiling and accounting for 122% of its annual GDP. Over the past three decades, the purchasing power of the U.S. dollar has depreciated by more than 60%. Approximately 40 countries have been undertaking the process of de-dollarization, employing blockchain technology or currency swaps to circumvent the U.S. dollar in trade and settlement. Indeed, de-dollarization challenges the dominant power of the U.S. and cannot be accomplished overnight. We believe that the related countries can effectively advance the de-dollarization process by prioritizing the following aspects:

Promote the diversification of international currencies to reduce dependency on the U.S. Dollar and its assets

First, rationally allocate international reserves, with eligible countries seeking to increase their gold reserves to improve the structure of international reserves and weaken the U.S. monopoly on gold. Additionally, countries should promptly reduce excessive holdings of U.S. dollar bonds and diversify their international asset allocation. Second, increase holdings of international currencies other than the U.S. dollar and currencies of emerging economies with significant potential to reduce reliance on the U.S. dollar. Third, sign standing swap agreements with closely related trading partners to enhance the use of domestic currencies in trade and finance, thereby stabilizing domestic trade and financial markets. Fourth, actively construct new currency payment systems, building upon existing systems such as the European INSTEX, China's CIPS, and BRICS Pay, and jointly creating, improving, or establishing new international payment systems to compete with SWIFT, ensuring payment independence and security.

Focus on developing the real economy to counter the trend of financialization

Financialization, particularly the formation and development of digital financial capital, is crucial for the U.S. to strengthen its international position in the future. Countries should proactively take measures to address this trend. Firstly, strengthen government regulation to reduce or restrict market investments in purely financial technologies, guiding capital towards research and development of production technologies. Secondly, ensure that advanced technologies developed domestically or introduced from abroad are utilized to develop the manufacturing sector and other real economies, preventing them from becoming speculative financial instruments in the financial domain.

Lastly, regulate the development of digital capital, represented by digital platforms, to curb financialization activities within these platforms, preventing the formation of highly monopolistic and U.S.-controlled digital financial capital.

Fully recognize the harms of absolute "LPM" reforms on a nation

Firstly, countries worldwide, especially emerging economies, should address excessive privatization within their domestic economies and increase the proportion of state-owned enterprises in their overall national economy to effectively control reliance on foreign capital. Secondly, implement moderately liberalized policies for foreign trade, actively engage in industrial adjustments, reduce the scale of export-oriented industries, and lower the economy's external dependence. Implement foreign exchange control policies to limit abnormal capital flows from international financial monopolies. Lastly, key industries vital to the country's well-being should not be fully marketized but directly managed by the government, serving as the foundation for maintaining social stability. This approach helps mitigate the impact of the global financialization system and reduces the shocks caused by adjustments in U.S. monetary policy.

Lessons from China's de-dollarization

According to the general definition of dollarization, China has also been a dollarized country, holding substantial amounts of the U.S. dollar reserve. Given the current geopolitical situation and the frequent sanctions on Chinese companies imposed by the U.S. government, de-dollarization can be a strategic choice for China to guard against significant financial risks and ensure financial security. Based on the mechanisms of dollarization and the experiences of countries that have undergone de-dollarization, China needs to prioritize the following three aspects:

First, exercising control over financial power is fundamental for achieving de-dollarization. Since the reform and opening-up, massive U.S. dollar reserves have been accumulated thanks to the rapid development of China's export-oriented economy. Consequently, the currency issuance and asset pricing power had to be partially relinquished. In such a context, privatizing most financial assets could potentially lead to the domination of Wall Street-centered financial capital, posing a severe threat to China's financial security.

Firstly, we should learn from the lessons of "LPM" reform in emerging economies like Argentina and prioritize national economic and financial security in the reform and opening-up. Secondly, financial power as the lifeline of the national economy should not be concentrated in the hands of a few people. During financial reform and development, the dominant position of the public sector in the financial system should be ensured, thereby guaranteeing the supervision and management of financial assets by the broad masses of the people. Lastly, private financial institutions, with their creativity and flexibility, play a crucial role in developing China's financial system. Therefore, they can complement and enhance state-owned financial institutions, jointly becoming a force to safeguard national financial security through strengthening guidance and effective supervision.

Secondly, high-quality economic development is a solid foundation for achieving de-dollarization. De-dollarization undermines the fundamental interests of American financial capitalists. Only through achieving high-quality economic development can we fundamentally respond to pressures from various aspects of the United States and achieve true de-dollarization. China should guard against the domestic economy "abandoning reality for the virtual". The financialization of commodities, technology, and other areas has increased profit margins but has not promoted domestic economic growth. Low-quality development is prone to be preyed upon by Wall Street-centered financial capital.

China should guard against the domestic economy "abandoning reality for the virtual".

Furthermore, China should enhance basic research capabilities to achieve breakthroughs in critical core technologies, which drive high-quality economic development. Talent is fundamental for technological innovation. In the long term, China should continue to support domestic universities and research institutes in talent cultivation. In the short term, China can encourage leading Chinese scientists worldwide to return to China while actively attracting outstanding foreign talents from various countries, including Russia, the European Union, and even Sri Lanka, to live in China and engage in advanced scientific research.

Finally, China should promote the application of high technology in the real economy. Financial development and technological innovation are mutually reinforcing. However, both should serve the real economy to promote high-quality development. For example, China can support the development of real industries based on high-tech such as artificial intelligence, big data, blockchain, and quantum communication by establishing industrial funds and cultivating business managers, making emerging industries the growth point of high-quality economic development.

Thirdly, the Renminbi internationalization is a significant step towards achieving de-dollarization. First, increase the proportion of the Renminbi in international pricing and settlement. Both Marxist currency theory and Western financial theory concur that sovereign currencies are not viable as a sustainable long-term international reserve currency. Therefore, the internationalization of the Renminbi should focus on its role in pricing and settlement in international business (Liu & Cheng, 2020). This can be achieved by promoting digital Renminbi transactions in regions like the Belt and Road Initiative, forming a regionalized network of digital Renminbi, and then expanding it to other relevant regions. Second, approach capital account opening with caution. The internationalization of the Renminbi necessitates some level of capital account opening, which entails integration into the U.S.-dominated global financial system (Cheng & Sun, 2015). This process should implement a prudent and gradual approach. During the capital account opening process, international capital inflows and outflows may be magnified several or even dozens of times due to adjustments in international and domestic policies or economic fluctuations. If speculative capital becomes predominant, it can significantly impact China's economy. To counter this, implementing measures such as Tobin taxes and non-refundable reserves can effectively curb speculative capital flows.

Conclusion

In summary, this article drew on Marxist monetary theory to explore the mechanisms of dollarization, its practical consequences, and alternative policies. Viewing through the lens of financialization, the global monetary system, commanded by the U.S. dollar, has traversed through three phases: the gold-dollar framework, the oil-dollar structure, and the institution-dollar scheme. The institution-dollar system, alternatively termed the global financialization system, represents a merging of commodity and financial markets and domestic and international markets realized through neoliberal institutionalization. This has further facilitated the amplification of the international monetary influence of the U.S. dollar.

Overall, financialization potentially amplifies the strength of the sovereign currency, quickens the pace of the international monetary cycle, and advances the global reach of the U.S. dollar through credit and additional tools. From a technological stance, the digitization of capitalism has also expedited this process. Since the 1970s, neoliberalism has been instrumental in both financialization and the internationalization of the U.S. dollar. Major pricing centers, including the New York Mercantile Exchange, London Metal Exchange, New York Commercial Exchange, Chicago Mercantile Exchange, and London Intercontinental Exchange, have the power to determine commodity prices in U.S. dollars, thereby directly swaying the currency choice in other countries' international dealings.

This being said, one could observe a burgeoning movement towards de-dollarization, enabled by blockchain technology and currency swaps that sidestep the U.S. dollar in trade and settlements. This progression can be hastened if many countries abandon the LPM reforms. Such countries, including China, should amplify their financial security and stability by bolstering state oversight and efficient regulation, championing high-caliber economic growth backed by a robust technological framework, curbing technological financialization, and suggesting alternatives to the U.S. dollar, such as the promotion of international monetary diversification and the internationalization of the Renminbi.

Notes

[1] The countries include Poland, Croatia, Türkiye, Egypt, Hungary, Chile, Mexico, Israel, Belarus, Peru, Romania, Albania, and others.

[2] Including countries such as Cambodia, Laos, Myanmar, and Vietnam.

[3] In 1974, the United States signed the "Unwavering Agreement" with Saudi Arabia, citing the guarantee of Saudi security, in exchange for the Organization of the Petroleum Exporting Countries (OPEC) designating the U.S. dollar as the sole currency for pricing oil and conducting trade settlements.

[4] The large-scale commodification of futures contracts on commodities is a hallmark of the formation of the global financialization system. Energy, as an essential commodity, saw the emergence of futures contracts in the 1970s, and it matured during the 1980s. This indicates that the massive financialization of commodities occurred in the 1980s, around the time of the establishment of the Washington Consensus. As analyzed later in the text, the formation of the global financialization system is built upon the financialization of commodities, with the assurance of the neoliberal regime.

[5] Commodity financialization builds upon the use value of a commodity, exploring its potential for investment and financing while incorporating additional financial attributes. These additional attributes can be analogous to those of currency, making commodities with traits such as scarcity, storability, and liquidity suitable candidates for financialization. Non-renewable, exceedingly scarce, highly liquid, and readily storable commodities manifest more pronounced financial attributes. Among these commodities, significant globally demanded items closely interconnected with industrialization, such as crude oil, non-ferrous metals, agricultural products, iron ore, and coal, are commonly referred to as bulk commodities.

[6] The fundamental distinction between the global financialized system and other currency systems is rooted in its transformative impact on the traditional demarcation between a nation's commodity market and financial market within the circulation domain. This paradigmatic shift serves to bridge the previously existing gap between commodity and financial markets and culminates in the establishment of a closed-loop structure in the international financial market, commonly referred to as the "commodity-finance-U.S. dollar-commodity" cycle.

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INTERVIEW

Director of Geopolitical Economy Research Group

Prof. Dr. Radhika Desai

"Systematizing Alternative Financial Cooperation is the Key to the Solution"

Dr. Radhika Desai is Professor at the Department of Political Studies, and Director, Geopolitical Economy Research Group, University of Manitoba, Winnipeg, Canada. She is the author of Geopolitical Economy: After US Hegemony, Globalization and Empire (2013), Slouching Towards Ayodhya: From Congress to Hindutva in Indian Politics (2nd rev ed, 2004) and Intellectuals and Socialism: 'Social Democrats' and the Labour Party (1994), a New Statesman and Society Book of the Month, and editor or co-editor of Russia, Ukraine and Contemporary Imperialism, a special issue of International Critical Thought (2016), Theoretical Engagements in Geopolitical Economy (2015), Analytical Gains from Geopolitical Economy (2015), Revitalizing Marxist Theory for Today's Capitalism (2010) and Developmental and Cultural Nationalisms (2009). She is also the author of numerous articles in Economic and Political Weekly, International Critical Thought, New Left Review, Third World Quarterly, World Review of Political Economy and other journals and in edited collections on parties, political economy, culture and nationalism. With Alan Freeman, she co-edits the Geopolitical Economy book series with Manchester University Press and the Future of Capitalism book series with Pluto Press. She serves on the Editorial Boards of many journals including Canadian Political Science Review, Critique of Political Economy, E-Social Sciences, Pacific Affairs, Global Faultlines, Research in Political Economy, Revista de Economía Crítica, World Review of Political Economy and International Critical Thought.

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"It's best to think about the dollarization in terms of two distinct but related processes. The first is the mounting contradictions of the dollar system itself. The second is the increasing availability of alternatives. The proliferation of these alternatives is not systematic it has a certain ad hoc character and it will retain this character until a sizable number of countries are able to come up with a plan for alternative unified international monetary arrangements. This is necessary because the ad hoc arrangements being made today are not systematic or complete solutions. So a systematic solution is necessary and this will only come into being when a sufficiently large number of countries representing a sufficiently large part of the world economy can mutually agree to create one. Another important option to U.S. financial dominance is to create a strong financial sector at home that is not relent on foreign capital. Such a financial sector must be oriented towards productive investment including investment in those sectors which have the greatest possibility for being competitive on export markets. Not only will expanding productive capacity increase the possibilities of international cooperation among countries that are increasingly dealing with one another on a more and more equal basis because the spread of multipolarity will reduce the power differentials among countries, it will also make all sorts of financial cooperation possible."

Dr. Radhika Desai, Professor at the Department of Political Studies and Director, Geopolitical Economy Research Group, University of Manitoba, answered BRIQ Editorial Board Coordinator Assoc. Prof. Dr. Efe Can Gürcan's questions.

What has been the global economic impact of US financial dominance?

Prof. Dr. Radhika Desai: At the Bretton Woods conference in 1944 on how the post-war world would be governed, the US blocked Keynes's proposals for a new international monetary system. They were to replace the disorder that followed the breakdown of the sterling system and the vain attempts by the US to enthrone the dollar after the First World War. Since then, the US has subjected the world to its unstable, unviable dollar system.

This is not widely understood because there is an entire cottage industry of academics, based overwhelmingly in the United States, who have been working in overdrive for decades trying to naturalize the idea that the currency of the world's most powerful country is naturally the currency of the world. Nothing could be further from the truth. The theory of US hegemony, which claims that the US dollar is only the successor to the pound sterling, is based on the wishful thinking that US elites have been indulging in for more than a century. The theory of US hegemony is nothing more then some ill-fitting theoretical garb that these academics have thrown onto this wishful thinking.

The pound sterling was not a national but an imperial currency. Even then it served neither the UK nor the world well. It was founded on the exploitation of the UK's non-settler colonies, chiefly British India, the largest of them the so-called 'Jewel in the Crown', encompassing present day India, Pakistan and Bangladesh, so that the UK could provide liquidity to the world in the form of the capital exports. These capital exports financed the industrialization of Europe, the US and Britain's other white settler colonies during the late 19th and early 20th centuries. In other words, the sterling system was founded on racist imperialism.

In the first version of the dollar system, US promised to back the dollar with gold in order to sweeten the bitter pill.

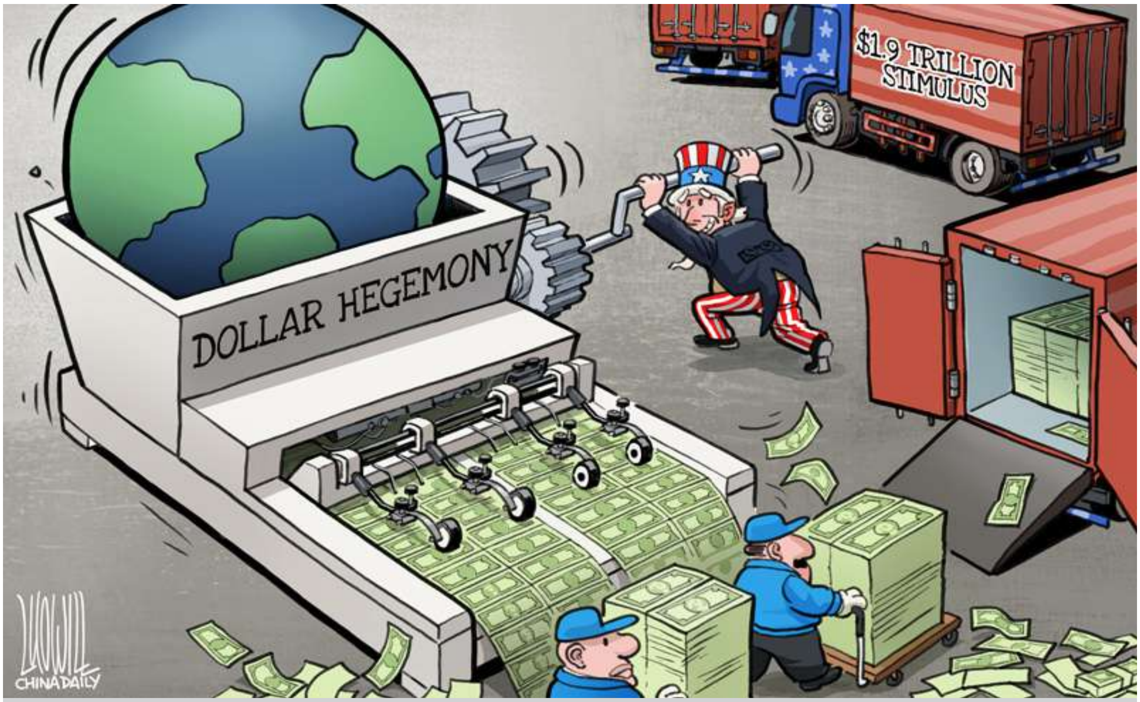
After the Second World War, without such colonies the US could only provide the world with liquidity by running deficits, paying for the excess it spent in the world over what it earned by handing out dollars which were essentially IOUs. This method of providing liquidity that was subject to the famous Triffin Dilemma: the greater the deficits the lower the value of the dollar.

The first version of the dollar system, where the US promised to back the dollar with gold in order to sweeten the bitter pill it was asking the world to swallow when it rejected Keynes's proposals and left the world with no alternative to the dollar, came to a bad end. The rest of the world, chiefly Europe which was then the part of the world which was forced to hold their export surpluses in devalued dollars, preferred gold. Their demand for gold drained the vast hoard that had ended up in the US during the wars and, after spending the 1960s trying one expedient after another to keep the dollar's gold backing, the US had to 'close the gold window' and break the dollar's link with gold.

Contrary to what the doyens of so-called Hegemony Stability Theory argue, this did not make the Triffin Dilemma go away, leaving the US free of the obligation to convert dollars into gold with no effect on the dollar system. The Triffin Dilemma continued to operate, sending the dollar to new lows in the 1970s where at one point, the dollar price of gold reached more than $800 per ounce, which would be over $3000 in today's money. Since then, the dollar system has relied on vast expansions of purely financial activity, financial activity that has no relation to and does not support the investment and trade necessary for the world economy, but rather undermines it. This is the most fundamental reason why the economic impact of the dollar system and of U.S. financial dominance has been and will remain negative.

The system, which Michael Hudson and I have called the dollar creditocracy, relies on debt, speculation and imbalances and is volatile and unstable. Let us look at some of the main effects.

Firstly, it has created a vast amount of debt, primarily dollar-denominated debt, which constitutes the foundation upon which the dollar creditocracy operates. The result is over indebted households, businesses, and governments. This debt is far beyond the capacity of these entities to pay and is therefore unsustainable. Worse, not only has it been lent without due assessment of the capacity of the borrower to pay, it has mostly been lent for unproductive purposes, often for speculation. These purposes benefit only the tiny number of already very large financial institutions and the



The existence of this financial system tends to draw money away from productive investment and towards financial investment. Inevitably, it leads do asset bubbles, increases in the prices of assets, whether they are stocks and bonds, real estate, fine wines or pictures (Photo: China Daily, 2021).

equally small number of owners who are high net worth individuals. Of course, most of the debt is also owed to this group.

Secondly the system relies on speculation. The existence of this financial system tends to draw money away from productive investment and towards financial investment. Inevitably, it leads do asset bubbles, increases in the prices of assets, whether they are stocks and bonds, real estate, fine wines or pictures, you name it. These values have nothing to do with the intrinsic worth of these assets and everything to do with the sheer amount of money seeking returns that is sloshing about the system. These asset bubbles – think of the dot-com bubble, the various stock market bubbles the housing and credit bubble in the United States, and the so-called everything bubble today – inevitably burst causing untold economic harm, economic crises, unemployment, hunger, homelessness, poverty.

Thirdly, in order to function, the dollar system relies on imbalances. This is a very important point. The proposals with which Keynes had arrived at Bretton woods, for an mutually agreed and multilaterally managed International Clearing Union which would issue Bancor as the world's currency, were very different. Bancor was not to be a currency that ordinary people would use, say to buy a meal or a t-shirt. It was to be reserved exclusively for central banks to settle their imbalances with one another much as clearing houses do for banks within a country. The people of various countries could continue using their national currencies for most transactions as before.

Keynes's system was also designed to reduce imbalances to a minimum, with incentives and disincentives built into the system to prevent persistent imbalances and to promote balanced trade and investment relations. The dollar system on the other hand, reliant as it is on US current account deficits, has the expansion of imbalances written into the core of the system and, in order to deal with the inevitable downward pressure on the dollar, it then requires the vast expansion of dollar-denominated financial activity to seek to stabilize it.

These imbalances and this expansion of financial activity have been extremely harmful for the world. Firstly, they permit the maintenance of a system in which some countries run persistent trade surpluses while other countries run persistent trade deficits and this problem never has to be resolved because the vast expansion of financial activity means that deficit countries can indebt to pay for the deficits. This is true, of course, of the United States. But it also means that developing countries continue to fail at development and remain in positions of running persistent trade deficits which then get them into debt and the whole cycle of debt and economic and financial crisis that inevitably results from the current system. It also gives the International Monetary Fund and the World Bank their chance to impose 'Structural Adjustment' on these countries and its effect has always been to further set back development and subordinate them further to the imperialist countries.

Another problem with the dollar system is of course its current weaponization. When you have the currency of a single country being used as the currency of the world that country can always use the system to inflict punishment on those it considers its enemies. While the recent sequestering of Russian reserves shocked the world, many other countries have previously been the victims of such behaviour, such as Afghanistan Iran and Venezuela. This weaponization has underlined the unsatisfactory nature of the dollar system.

Finally, we can say in conclusion, at the dollar system has subjected the world to slow growth, lack of development and repeated crises.

The driving force of de-dollarization

How is the phenomenon of "de-dollarization" currently unfolding? What factors are propelling this ongoing shift, and what is its driving force?

Prof. Dr. Radhika Desai: The most fundamental driving force of de-dollarization is that the world is not, and cannot be, satisfied with the way in which the dollar system serves it. As long as I can remember, complaints about its functioning, whether in the context of the third world debt crisis of the 1980s or the imbalances of the 1990s and 2000s, have regularly appeared in the press and in academic journals. Today, of course, there is much more discussion of this and it suggests that the long-awaited demise of the dollar system is rapidly approaching. It's best to think about the dollarization in terms of two distinct but related processes. The first is the mounting contradictions of the dollar system itself. The second is the increasing availability of alternatives.

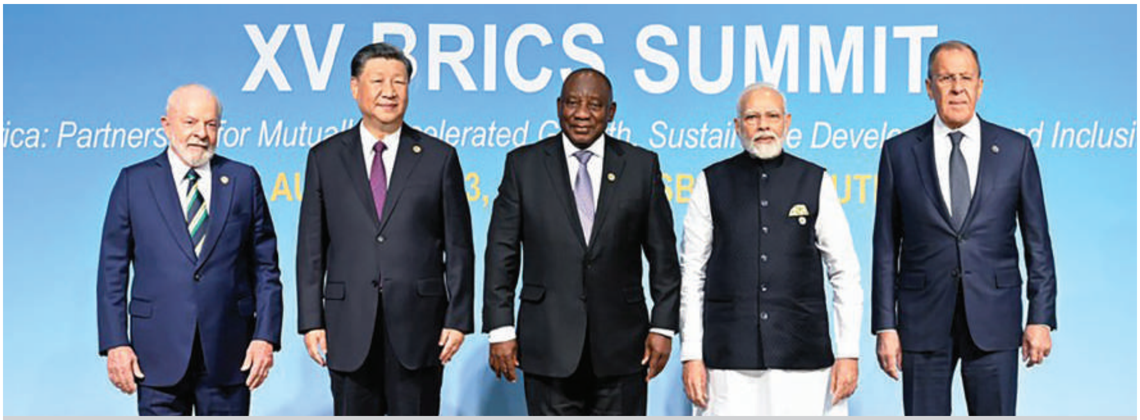
Since the Triffin Dilemma never went away, today sustaining the value of the dollar requires vast expansions of financial activity. Only it can ensure that the resulting increased demand for the dollar for purely financial and speculative reasons can counteract the downward pressure on the dollar that the sorry state of the US economy, it's trade deficit and current account deficit put on the dollar. One might add here that the expansion of financial activity has been intimately tied up with the deindustrialization that the US has suffered over the past many decades.

Over the last two decades this increased financial demand has been created by policies of easy money. The low and zero interest rate policies (LIRP and ZIRP), quantitative easing (QE), forward guidance and what have you. This era of low interest rates originally began in the 2000s in the aftermath of the bursting of the.com bubble when the Federal Reserve under Alan Greenspan, realizing that the housing bubble that had been gestating at the same time as the stock market bubble was the only thing keeping the US economy going and keeping it going required low interest rate policies. This era of low interest rates was interrupted when rate rises became necessary about 2004 in 2005 because the dollar was declining too rapidly. These rate rises eventually burst the housing and credit bubbles in 2008. Thereafter, the Federal Reserve returned to the low and even zero interest rates, Ostensibly in all in order to do stimulate the economy but in reality in order to aid troubled financial institutions. The result was of course the inflation of ever more asset bubbles that have resulted in today's everything bubble.

The most sensible way to tackle inflation, the only way which does not come with economic pain being inflicted on ordinary working people, is to increase investment and resolve the supply issues that lie at the root of inflation.

Through the 2010s these policies coexisted with low inflation because the US continued to receive cheap imports from abroad through what we may call unequal exchange, and domestically kept wages down. Both these conditions ceased to obtain after the pandemic and inflation now returned with a vengeance.

The return of inflation has put the Federal Reserve in a dilemma. If it tackles inflation in the only way it can, by raising interest rates, it will burst the so-called everything bubble which has inflated the prices of practically every asset in the system, not to mention inflated the wealth of those who invest in these. One should clarify here that while the Federal Reserve can only deal with inflation by raising interest rates, this is not the only way to tackle inflation. The most sensible way to tackle inflation, the only way which does not come with economic pain being inflicted on ordinary working people, is to increase investment and resolve the supply issues that lie at the root of inflation. But this cannot be done by the Federal Reserve. Since the lack of private investment and activity is what lies at the root of the problem, it can only be solved by state intervention on a fairly massive and pervasive scale, by the state stepping in to do what the private sector cannot or will not do, namely invest and produce. Of course, this is loathed by neoliberals and capitalists. If they were to permit it, the public would see clearly that they are quite dispensable. That there is no need to put up with capitalism, and this would open the road to socialism. That is why they keep repeating that 'inflation is always and everywhere a monetary phenomenon'. So the Federal Reserve only permits itself the method of raising interest rates to tackle inflation even though it causes recession and unemployment. Indeed, today it is clear from the discourse emanating from the Federal Reserve that it would like to generate just enough unemployment to kill inflation by killing demand, the demand of the people suffering from unemployment, while not causing a recession. Though it does not say so, of course, the Federal Reserve is also worried that rising interest rates will prick the many asset bubbles that have inflated over the past decade and a half. This would hurt the very people that the Federal Reserve exists to serve. If it raises rates, there will be a big financial crash. If it does not, inflation will persist, and undermine the dollar. Either way the dollar is in trouble.



President of Brazil Luiz Inacio Lula da Silva, President of China Xi Jinping, President of South Africa Cyril Ramaphosa, Prime Minister of India Narendra Modi and Foreign Minister of Russia Sergei Lavrov are at the 15th BRICS Summit (Photo: Xinhua, 2023).

The second reason why de-dollarization is accelerating is because of the increasing availability of alternatives. On the one hand, China is today the most important trading partner for more than 150 countries, and it is also increasingly a source of investment. This can only mean a rising role for the yuan and other currencies in payment systems. On the other hand, witness to the weaponization of the dollar and the SWIFT system of international payments against Russia, the world has increasingly sought alternatives. These alternatives have taken many forms. There are alternative payment systems which various countries whether it is Russia or India or China are increasingly establishing. The availability of digital technology has also made this easier and more and more countries are also talking about creating central bank digital currencies (CBDCs). Secondly, they have taken the form of agreements between countries to settle trade among themselves in one another's currencies. Alternatives have also emerged in the form of new sources of finance particularly coming from China in the form of the Belt and Road Initiative, the Asian Infrastructure Investment Bank and more generally the vast amount of lending Chinese banks are undertaking to finance investment abroad.

The proliferation of these alternatives is not systematic it has a certain ad hoc character and it will retain this character until a sizable number of countries are able to come up with a plan for alternative unified international monetary arrangements. This is necessary because the ad hoc arrangements being made today are not systematic or complete solutions. Take for example the agreement to settle trade between two countries in one another's currency. This can only work if both countries wish to buy roughly equal amounts of goods from one another. However, this is not always the case. For example, in the case of Russia and India settling trade in rupees in rubles. The problem has emerged that while India imports large amounts of Russian oil, which it pays for in rupees, Russia is left holding a vast pile of rupees and very little that it can buy from India. Such imbalances mean that the arrangement is unsustainable and will likely have to end.

So a systematic solution is necessary and this will only come into being when a sufficiently large number of countries representing a sufficiently large part of the world economy can mutually agree to create one. And here I would like to make an important caveat. There has been a lot of talk recently about the five Rs.

The BRICS countries all of whose currencies have names beginning with R – real, ruble, rupee, renminbi and rand. The idea is that they will create some sort of international currency for use amongst themselves.

However, it is very important to remember that any international currency that is created should not be a currency that will either displace or be used alongside national currencies by ordinary people going about their daily business to buy say a restaurant meal or a toy. Creating such a currency would be quite harmful to those with weaker economies as the experience of the euro has already shown. That is why it's important to remember Keynes's original proposals at Bretton woods. They did not involve this sort of currency but rather a currency that would be used exclusively among central banks to settle imbalances with one another. All the countries concerned would continue to use their domestic currencies for all domestic transactions. If the world wants to create an International Monetary Order that is conducive to growth and development, it will have to be something like this.

The first condition for a development-oriented financial system is capital control

Are there feasible options to counterbalance US financial dominance? What key opportunities and obstacles arise with the emergence of these new alternatives?

Prof. Dr. Radhika Desai: I've already answered this question partly in my answer to the previous question but let me elaborate a little. There are in fact many feasible options to counterbalance U S financial dominance. First of all, every country needs to take greater control over its financial sector, and not give to siren calls emanating chiefly from New York and Washington, to lift capital controls, to permit western financial institutions too operate in their financial sector and to issue government debt in dollars. These measures only turn the financial systems of these countries into props for the unstable and volatile dollar system that we have already described. Not only does it do nothing for the development of the country concerned, it is positively harmful for development. The chief reason for it is that the development of a country needs a financial sector that is regulated in a way that orients it to productive investment. The insertion of a country's financial system into the dollar system, transforming it into a financial system that is oriented instead to speculation and predatory lending.

The first step towards creating a financial system geared to the development of a country is to impose capital controls. The United States, the IMF and more generally the neoliberal establishment have for decades tried to entice countries to lift capital controls on the grounds that doing so will bring much needed productive investment to their country. However, as so many of the East Asian countries discovered in the late 1990s, when they lifted capital controls money did flow in, but it was not money or capital for productive investment. It was rather hot money seeking short term returns by speculating in the land, stocks and other asset markets of the countries concerned. Moreover with open capital accounts, this money was free to stampede in when, without knowing much about the economies of the countries concerned, they became irrationally exuberant about the prospects of short term returns, and it was also free to stampede out when, overnight, based on little but rumor, the very people who had been praising that country's sound fundamentals start talking about its problems. Such outflows of money, entirely unrelated to any real developments in the economy, were responsible for causing the massive East Asian financial crisis which hit some of the most productive and dynamic part of the world economy in 1997 and 1998.

The crisis was, of course, blamed by the neo liberals on the so-called crony capitalism of these countries when in reality the chief culprit was the very dollar denominated financial system to which these countries had opened themselves up by lifting capital controls. It is noteworthy that countries such as Vietnam or India did not experience this financial crisis for the simple reason that they had never lifted capital controls.

Capital controls must ensure that any capital entering the economy enters to make productive investment and demonstrates a degree of commitment to the country's economy by agreeing to forsake the right to repatriate capital or profits except on certain strict conditions.

Another important option to U.S. financial dominance is to create a strong financial sector at home that is not relent on foreign capital. Such a financial sector must be oriented towards productive investment including investment in those sectors which have the greatest possibility for being competitive on export markets. Having some such sectors is very critical to relieving countries of the necessity to borrow in dollars or other hard currencies because that country would be capable of earning through exports what it needs to purchase from abroad, that is, the imports it relies on .

Thirdly, a very very important option that countries must learn to start exercising is not permitting the private sector to borrow money abroad in hard currency, or at least regulating its ability to do so with a view to prioritizing the developmental needs of the country rather than the taste for luxuries off small sections of the Super rich or the desire of domestic capitalists to acquire assets abroad.

Finally, governments must not borrow money by issuing bonds in any other currency but their own. And they must also look into the possibility that rather than borrowing from financial markets it can raise money through taxation of the better off which also has an equalizing effect on society, or borrowing from its own central bank. This prevents the sort of financial crises that results, almost inevitably, when interest rates rise internationally.

China's difference and the enormous impact of the BRI

How does multipolarity influence international financial cooperation? What role does China play in providing alternative solutions in this context?

Prof. Dr. Radhika Desai: Multipolarity can have beneficial effects on development in general and non financial cooperation in particular. As I have analyzed it in my work on geopolitical economy, multipolarity is the result of the working of the dialectic of what Trotsky called uneven and combined development and what we may understand as the dialectic of imperialism and anti imperialism. What is imperialism but the denial of development? And what is anti imperialism but the successful assertion of the right to development, the successful pursuit of development?

Geopolitical economy rests on an accurate understanding of Marx's analysis of capitalism, free of the distortions that have been introduced because of the attempt on the part of so many who called themselves Marxists to try to fit it into the antithetical methodological and theoretical framework of neoclassical economics. When this is done, it becomes clear that for Marx classes as well as nations were both the material products of capitalism and that the era of capitalism is characterised not just by struggles between working and capitalist classes but also between imperialist countries and those resisting imperialism. Once this becomes clear, it is easy to see that the literature on developmental states is naturally allied with Marxism.

Thus geopolitical economy understandings the centrality of developmental states in producing development, and traces the origin of this understanding in Marx. Once this is understood, it becomes clear that multipolarity is the result of the fact that in the dialectic of imperialism and anti imperialism notwithstanding the power of imperialism, the latter tendency, the anti imperialist and developmental tendency, has prevailed. It is this tendency that has spread productive power around the world and made it multipolar.

In this dialectic as I have pointed out dominant states the states of the homelands of capitalism have strived to maintain the unevenness of capitalist development, that is to say their privileged position in the international hierarchy that is the world economy. They have striven to maintain that position as producers of technologically sophisticated high value goods while imposing upon the rest of the world, which they seek to dominate through formal colonialism or informal means, economic forms that compliment their sophisticated industrial economies by producing low technology low value goods with cheap labour. It is only when countries that are able and willing to reject such economic subordination and complementarity by pursuing development through successful developmental states that they are able to establish similarity of productive structures.

Geopolitical economy understandings the centrality of developmental states in producing development, and traces the origin of this understanding in Marx.

The story of the world economy has been one of multipolarity because a sufficiently large number of countries has been able to undertake this effort and succeed in it. Along the way, beginning in the early 20th century, the pursuit of this type of combined development has also included The implementation of some of the other version of socialism beginning with the Russian Revolution and continuing today in China.

Every advance in the spread of productive power around the world makes it easier for the next set of countries to pursue development, accelerating the advance of multipolarity. This happens because capitalist countries naturally compete with one another for influence in the rest of the world and in doing so must offer trade investment technological transfer and other relations to the rest of the world on increasingly better terms. It also happens because some countries who have become socialist whether the Soviet Union in the past or China today offer trade investment technology etc on good terms to the rest of the world out of solidarity. Today this process has taken monumental proportions in the form of China's Belt and Road Initiative and more generally China's investments around the world, building infrastructure investing in manufacturing as well as in energy and resources and offering skills and technology. China's presence in the rest of the world has already being experienced as a completely novel form of trade and aid relations vastly more positive then the imperial exploitation to which so much of the third world has been subject until very recently and even today by the imperialist countries of the world.

Not only will expanding productive capacity increase the possibilities of international cooperation among countries that are increasingly dealing with one another on a more and more equal basis because the spread of multipolarity will reduce the power differentials among countries, it will also make all sorts of financial cooperation possible. As I've already emphasized the most important form of financial cooperation can be and must be in the first instance aiding all countries to have financial sectors geared towards production and cooperating with them to create an international monetary system that does not privilege anyone country, that does not generate persistent imbalances, that is not volatile and unstable, but which can leave governments free to run their economies for full employment and development. Such an international monetary system will probably not be exactly what Keynes had proposed more than 75 years ago but it will have to be based on the broad principles that his proposals were founded on.

The Multipolar Challenge: Implications for Dollar Dominance and the Shifting Tides of US Hegemony

EFE CAN GÜRCAN*

Assoc. Prof. Dr.
London School of Economics, Visiting Scholar

**Efe Can Gürcan is a Turkish-Canadian scholar who currently serves as a Visiting Senior Fellow at the London School of Economics and Political Science (LSE). He is also an Associate Professor of International Relations and the Director of the Center for Belt and Road Studies (CBRS/KUYÇAM) at Istinye University. Additionally, he holds the positions of Research Associate at the Geopolitical Economy Research Group based at the University of Manitoba and Visiting Scholar at the Shanghai University Institute of Global Studies. Gürcan completed his undergraduate education in International Relations at Koç University. He received his master's degree in International Studies from the University of Montréal and earned his Ph.D. in Sociology from Simon Fraser University. He is fluent in English, French, Spanish, and Turkish. Gürcan is a former Social Sciences and Humanities Research Council (SSHRC)-Joseph-Armand Bombardier scholar (Category A). He was awarded the 2014 Albert Szymanski Award by the American Sociological Association, the 2021 Outstanding Young Scientist Award by the Turkish Academy of Sciences (TÜBA), and the 2023 Distinguished Achievement Award in Political Economy by the World Association for Political Economy (WAPE). He became a member of the Turkish Young Academy of Sciences in 2021. Gürcan has authored five books and over 30 articles and book chapters on international development, international political economy, and political sociology.*

E-mail: E.Gurcan@lse.ac.uk *ORCID: http://orcid.org/0000-0002-5415-3163*

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ABSTRACT

The global political economy has long been characterized by the commanding presence of the US dollar—a linchpin that has steadfastly upheld US hegemony across decades. The dollar's ascendancy, transcending mere economic value, has become emblematic of US strategic influence in both the economic and geopolitical landscapes. However, as we witness the dawn of a new era marked by a multipolar global order, there is growing speculation about the potential waning of the dollar's omnipotence. This article is anchored around the following pivotal inquiries: In what ways is the burgeoning multipolarity in the global political economy reshaping perceptions and realities of the US dollar's dominance? How might a diminished dollar centrality impact the broader edifice of US hegemony and the equilibrium of the global economic order? Which rising powers are at the forefront of this tectonic shift, and what strategic levers are they employing to influence the trajectory? Using the method of Geopolitical Analysis Grid, this study endeavors to illuminate the multifaceted interconnections between a multipolar world and the potential reconfiguration of the dollar's global standing. With this in mind, it also aims to elucidate the strategic implications for the US and chart the evolving dynamics that will define the future global economic landscape. The findings suggest that China emerges as the principal contender to US hegemony, spearheading initiatives aimed at de-dollarization. However, these endeavors seem more intent-driven rather than readily identifiable and deterministic outcomes, with the prevailing trajectory being towards asset diversification in a "post-hegemonic" context. Evident manifestations of such inclinations are China's policies on RMB internationalization, exemplified by the introduction of the CIPS, UnionPay, and the Digital Yuan. These strategies complement the growing prevalence of bilateral trade in alternative currencies, a growing intention to conduct oil trading in non-dollar currencies, currency swap agreements, and the prospective advent of a BRICS currency. Institutionally, this shift is anchored in frameworks such as the New Development Bank, the SCO, the AIIB, and the BRI. The mounting view of dollar dominance as a manipulative instrument of US foreign policy, coupled with the perceived waning of US hegemony and diminishing confidence in the US dollar, impels developing nations to hasten their currency diversification pursuits. This momentum is observed particularly within the framework of South-South cooperation, with China's proactive stance being a pivotal influence.

Keywords: de-dollarization, dollar dominance, geopolitical analysis grid, multipolarization, US hegemony

THE GLOBAL POLITICAL ECONOMY HAS long been characterized by the commanding presence of the US dollar—a linchpin that has steadfastly upheld US hegemony across decades. The dollar's ascendancy, transcending mere economic value, has become emblematic of US strategic influence in both the economic and geopolitical landscapes. However, as we witness the dawn of a new era marked by a multipolar global order, there is growing speculation about the potential waning of the dollar's omnipotence. This emergence of multiple power centers, each with its own economic and political clout, threatens to reshape the traditional dynamics of international economic relations, challenging the very sanctity of the dollar's global supremacy.

This article is anchored around the following pivotal inquiries: In what ways is the burgeoning multipolarity in the global political economy reshaping perceptions and realities of the US dollar's dominance? How might a diminished dollar centrality impact the broader edifice of US hegemony and the equilibrium of the global economic order? Which rising powers are at the forefront of this tectonic shift, and what strategic levers are they employing to influence the trajectory?

In the aftermath of World War II, US imperialism emerged as the linchpin, driving the imperialist system and positioning itself at the epicenter of global hegemonic relations.

The present study endeavors to illuminate the multifaceted interconnections between a multipolar world and the potential reconfiguration of the dollar's global standing. With this in mind, it also aims to elucidate the strategic implications for the US and chart the evolving dynamics that will define the future global economic landscape. Using the method of Geopolitical Analysis Grid (GAG) (Cattaruzza, 2020; Cattaruzza & Limonier, 2019), moreover, this study systematically dissects the strategies and actions of pivotal emerging actors within the multipolar matrix. GAG facilitates a layered exploration of nation-states' economic postures, geopolitical imperatives, and strategic alignments, all juxtaposed against their unique historical and socio-cultural backdrops. By assimilating these diverse insights, the present article uses this method to forge a holistic perspective on the emergent challenges and opportunities sculpting the global political economy. In this context, the article begins by establishing the conceptual and methodological framework that guides this research. The second and final section delves into an empirical analysis of multipolarization and de-dollarization.

Conceptual and Methodological Framework

To ensure a comprehensive and coherent analysis, it is imperative to commence by establishing a conceptual and methodological framework that will guide our examination of multipolarization and de-dollarization. The notion of US hegemony is pivotal in framing this research. By "US hegemony," I refer to a scenario wherein a single state (or a group of states), "plays a predominant role in organizing, regulating, and stabilizing the global political economy (Du Boff, 2003, p. 1)." Notably, in the aftermath of World War II, US imperialism emerged as the linchpin, driving the imperialist system and positioning itself at the epicenter of global hegemonic relations. It is essential here to clarify that my interpretation of "hegemony" does not necessarily require unanimous consent. It rather encapsulates a nuanced interplay of consent and coercion in varying degrees, serving to relatively stabilize the international order and its alliance system led by a hegemonic power that pretends to act in the general interest, even in the face of discernible dissent (Gürcan, 2022b). For instance, the widely held conviction, prior to the 2000s, that the US was unparalleled in global leadership—attributed to its economic superiority as a model nation, credibility in global governance, perceived military invulnerability, cultural appeal, and the dominance of the dollar—served as a quintessential illustration of US hegemony.

Another essential term in this context is "multipolarization", which describes the shift in the global balance of powers, as political, economic, and military clout becomes more evenly distributed, elevating the systemic importance of multiple states (Gürcan, 2019b). In turn, the term "dollar hegemony" describes a situation in which the US dollar is widely adopted as the foremost instrument for international reserves, the main unit of account, and the primary means of payment, achieved through a combination of consensual and coercive measures. "Dollarization" is thereby the result of

There are multifaceted relationships between a multipolarised world and the restructuring of the global position of the dollar (Photo: CGTN, 2021).

this hegemony, emerging from a process that entails the use of the US dollar as a reserve of value, a medium of exchange, and a unit of account. Understood as such, one could identify three main types of dollarization. Financial dollarization pertains to the dollarization of assets and liabilities, whereas transaction dollarization relates to the payment system. Price dollarization concerns pricing units for goods and services (Vidal, et. al., 2022; Basosi, 2021; Levy-Yeyati, 2021).

In this context, it is also relevant to briefly address the negative implications of dollarization for the developing world. Adjustments in US monetary policy have frequently precipitated debt, exchange rate, and financial crises in various developing economies. Noteworthy instances include the Latin American debt crisis of the 1980s, the Asian financial crisis of the 1990s, and the 2018 exchange rate crises in Türkiye, Brazil, Argentina, and other economies, sparked by an increase in US dollar interest rates. Broadly speaking, financial systems with high levels of dollarization are often more susceptible to such crises. Therefore, dollarization is typically linked with high and unstable inflation, exchange rate fluctuations, and undisciplined monetary policy. It also heightens the risk of balance sheet and liquidity issues, jeopardizing the financial stability of households, businesses, and financial intermediaries that face currency mismatches. Furthermore, dollarization can negatively impact the real economy, resulting in reduced growth and increased volatility in output (Naceur, Hosny & Hadjian, 2019; Xueying, Dongsheng & Ruiling, 2022; Yang & Ziaojing, 2017). In this scenario, finally, "de-dollarization" refers to the perceived, if not actual, erosion of dollar dominance, as well as "anti-dollar policies [that] successfully reduce reliance on the dollar (McDowell, 2023, p. 5)." Understood as such, one could assume that de-dollarization serves as an important factor that catalyzes the multipolarization of the global political economy, and vice versa.

In the study of phenomena related to multipolarity, such as de-dollarization, the Geopolitical Analysis Grid (GAG) proves invaluable, especially considering the inherent geopolitical character of such processes. Independent of the specific empirical context underpinning multipolarity, GAG's primary advantage lies in its provision of a systematic approach to geopolitical analysis. Such a structured methodology ensures comprehensive consideration of all pertinent elements, while preventing the omission of significant factors. Additionally, it elucidates the interconnections and influences between different factors, offering a coherent visual representation of intricate data. In this study, GAG assists in delineating the basic parameters of our analysis based on agential, territorial, relational, socio-economic, typological, scalar, temporal, and representational perspectives.

The subsequent phase is further compartmentalized into five nuanced sub-steps, focusing on the geopolitical, economic, and cultural dimensions of the previously identified actors, territories, and relations.

Adapted from Cattaruzza and Limonier's (2019) framework, the GAG methodology deployed in this study can be broadly delineated into two primary phases. The first phase consists of describing the objects of study, namely the key actors, territories, and relations. Initially, it necessitates the identification of the key actors, which could include states, international organizations, societal groups, and corporate entities. In our case, for example, the main actors include the US, China, Russia, and a number of international organizations such as BRICS+ (Brazil, Russia, India, China, South Africa+), Asian Infrastructure Investment Bank (AIIB), Shanghai Cooperation Organization (SCO), and the Belt & Road Initiative (BRI), which set the agential parameters of this research. This is followed by an examination of the territories they engage with or invoke, in our case political and economic territories, and a thorough analysis of the relations they maintain, encompassing various cooperation and rivalry dynamics, whether they be political, economic, or cultural (Cattaruzza, 2020; Cattaruzza & Limonier, 2019). The Ukraine conflict, de-dollarization policies, and alternative international cooperation schemes are part of these relations covered in this study.

The second phase consists of analyzing the objects of study by setting the necessary analytical parameters. This phase is further compartmentalized into five nuanced sub-steps, focusing on the geopolitical, economic, and cultural dimensions of the previously identified actors, territories, and relations. To begin with, the analysis evaluates the defining character, or the socio-political and economic nature of geopolitical actors, territories, and relations. Concerning the typology element in GAG, it determines whether actors function as aggressors, defenders, contenders, victims, ombudsmen, combatants, or non-combatants, among other types. In our case, the US stands as a "declining hegemon," whereas China appears as a "contender state (Desai, 2013)." Furthermore, territories are categorized based on their strategic significance—either as operational arenas, mobilizing frames, or points of contention. In our analysis, for instance, the geography of the developing world emerges as a framework for power rivalries. The typology of relations is also assessed, discerning whether conflicts are overt or latent, armed or unarmed, and symmetrical or asymmetrical (Cattaruzza, 2020; Cattaruzza & Limonier, 2019). While rivalries surrounding de-dollarization are mostly of an unarmed nature, the alternative cooperation mechanisms led

Figure 1. De-Dollarization in the Geopolitical Analysis Grid

	Actors	*Territory*	*Relations*
Character	Countries (US, China, Russia among majör actors) International organizations (BRI, BRICS+, AIIB, SCO among majör IOs)	Political and economic territories (states and IOs)	Political-economic rivalries, sanctions, armed conflict (e.g., Ukraine conflict and de-dollarization), and alternative cooperation mechanisms
Typology	US as a declining hegemon China and alternative IOs as "contenders"	Territory used as a framework for power rivalries (e.g., the reach of de-dollarrization policies in the developing world)	Unarmed rivalries with the US, "post-hegemonic cooperation" in the developing world (e.g., China's RMB internationalization policies, CIPS, UnionPay, Digital Yuan, bilateral and oil trade in other currencies, SWAP agreements, New Development Bank, BRICS Currency)
Scale	Global and regional actors	Global and regional territories	Global and regional repercussions for world politics (currency diversification)
Temporality	Rise of contending powers since the 2000s	Re-politicization of the developing world in the 2000s	Long-term rivalries and cooperation in the 2000s
Representation	Dollar dominance perceived as a coercive tool	"Developing world" as a site of contention and resistance	"South-South cooperation"

This is adapted from (Cattaruzza & Limonier, 2019).

by contending states assume a "post-hegemonic" (Gürcan, 2020) character, as will be explored later in greater depth.

The next layer of this phase scrutinizes the spatial magnitude and reach (i.e., scales) of the actors, territories, and relationships under study, emphasizing the scope of the actors' influence, the expanse of the territories from local to global scales, and the overarching scale of the conflicts in terms of their geopolitical repercussions. In our analysis, the repercussions of multipolarization and de-dollarization attempts are global in scale, leading to a slow pace of currency diversification. Additionally, GAG delves into the temporal dimension, exploring the historical context surrounding the actors, territories, and conflicts. In this case, multipolarization and de-dollarization can be traced back to the early 2000s, which set the temporal parameters of our research. This is complemented by an examination of their symbolic representation—how actors legitimize their stance, the impact of territorial narratives on geopolitical undertakings, and the symbolic representation of the conflicts themselves (Cattaruzza, 2020; Cattaruzza & Limonier, 2019). In the case of multipolarization, our analysis reveals that dollar dominance is increasingly being perceived as a coercive tool by contender states, and the developing world emerges as a site of contention and resistance, which has accelerated the agenda of "South-South cooperation" (Gürcan, 2019b) throughout the 2000s. Figure 1 presents my GAG empirical analysis that will be discussed in the next section.

Recontextualizing De-Dollarization Within the Geopolitical Grid

The dollar's international monetary power has been instrumental in forging and maintaining US global hegemony. Following World War II, the US strategically tethered key sectors of foreign economies to the dollar's value and stability using tools like international aid, credit assistance, and trade ties. This dominance enabled the US to effectively issue vast amounts of money with relatively little repercussions, facilitating budget deficits to fund military activities and extend credit, investments, and aid to allies in line with US geopolitical objectives (Gürcan, 2022a; Gürcan & Donduran, 2023). From a hegemonic point of view, this unique position, termed as "exorbitant privilege" (Cohen, 2012, p. 17), granted the US increased flexibility in its domestic macroeconomic policy. For many allied nations, defying the US-centric global political economy was not feasible, as alignment with US objectives was often rewarded with access to vital credits and aid. Institutions such as the International Monetary Fund and World Bank further institutionalized dollar dominance (Ciorciari, 2014; Vasudevan, 2021; Yuan, 2018).

In 2023, the collapse of three US banks, especially one as influential as Silicon Valley Bank, sent shockwaves across the global financial system.

Global confidence in the US dollar has been foundational to its dominance. Such confidence has roots in the US's past contributions to global production, its unrivalled military prowess, and its capacity to maintain its currency's purchasing power through technological advancements and a robust service sector. However, recent geopolitical shifts and the multipolarization of world politics appear to be eroding this global confidence (Gürcan, 2022a; Gürcan & Donduran, 2023). China's ascent as the leading producer and exporter of high-tech goods, combined with the repercussions of the 2007-2008 financial crisis and US military challenges in countries like Afghanistan, Iraq, and Syria, have raised questions about the dollar's unassailable position. Notably, the US dollar's share in global reserves has contracted from roughly 70% in 2000 to 58.8% by the second quarter of 2023, among its most modest proportion in the past quarter-century (Arslanalp & Simpson-Bell, 2021; Gürcan, 2019b; Yuan, 2018; IMF, 2023).

In 2023, the collapse of three US banks, especially one as influential as Silicon Valley Bank, sent shockwaves across the global financial system. Their downfall was directly tied to the fall in the value of US Treasury securities, a result of sharp interest rate hikes by the US Federal Reserve. This situation not only indicates vulnerabilities within the US banking system but also impacts investor confidence in US financial assets. Particularly, the fact that Silicon Valley Bank had invested a significant portion of its deposits in Treasury notes and other quasi-sovereign securities, whose values plummeted due to interest rate hikes, shows the risks associated with excessive reliance on US-denominated assets. As these assets lost value, especially given the weaker state of the US dollar, it underscored the potential pitfalls of depending too heavily on the dollar and US financial instruments (Caudevilla, 2023).

Daniel McDowell (2023) highlights that US foreign policy and its strategic use of the dollar have increasingly been perceived as a political risk on a global scale. This perception is fostering a growing desire among global governments to lessen their reliance on the dollar, due to concerns about susceptibility to US influence. McDowell (2023) goes on to emphasize that sanctions are a crucial tool in this strategic use of the dollar to counter the emerging powers threatening US hegemony. Primary sanctions aim to directly isolate the targeted individual, company, or government from the dollar-based financial

Many allied countries did not feel empowered to challenge the US-centred global political economy, because alignment with US objectives was rewarded with access to vital loans and aid (Photo: China Daily, 2022).

system. In turn, secondary sanctions are designed to exclude the target from global financial networks through the involvement of foreign financial institutions. According to McDowell (2023), the frequency of the US's strategic use of the dollar has been on the rise. Particularly under the Obama and Trump administrations, financial sanctions became a common tool. The number of sanctions-related Executive Orders (SREOs) saw a significant increase, growing by approximately 500 percent from 22 in 2000 to 94 by the end of 2020. While some of these orders are specifically directed at non-state entities not directly connected to foreign governments, such as those involved in counter-narcotics trafficking or counter-terrorism efforts, the majority of sanctions programs are state-targeted. The US applies pressure by blacklisting individuals and entities close to a regime or directly targeting government officials and state institutions (McDowell, 2023).

The ramifications of declining global confidence in the US dollar and the growing threat perception coming from the US sanctions are particularly visible in the developing world. A strong case in point in Latin America. Relative to other global regions, Latin America has historically exhibited a high level of reliance on the US dollar. However, a shift towards decreasing this dependence, known as de-dollarization, is becoming apparent in several key Latin American nations, including Bolivia, Argentina, Brazil, Mexico, and Venezuela. Nonetheless, the pace of reducing dollarization in these countries is expected to be gradual, as evidenced by the experience of Peru. The strategies employed by most Latin American countries in de-dollarizing involve gradual, incentive-based approaches. This being said, Argentina has seen a marked decrease in the dollarization of its banking sector, and Brazil has experienced a considerable reduction in public debt tied to the dollar. Perhaps a more striking example of this trend is Bolivia, which until the mid-2000s was one of the most dollarized countries globally.

In 2002, the rate of deposit dollarization was over 93%. However, the implementation of left-wing policies, coupled with macroeconomic stability, has led to one of the most significant de-dollarization efforts, both regionally and globally. By 2019, the proportion of deposits in foreign currencies had dramatically fallen to just 13.8%. By moving away from a dollar-centric economy, Bolivia has lessened its vulnerability to external shocks that affect the US dollar, thereby diversifying its economic base (Sharma, 2023; Quenan & Edgardo, 2007; Levy-Yeyati, 2021).

By internationalizing the RMB, China is actively contributing to the ongoing process of de-dollarization, challenging the long-standing US financial hegemony.

This trend emerged against the backdrop of the unprecedented rise of the Latin American left in the 2000s as an important catalyst in multipolarization, which also includes Lula's Brazil as part of the BRICS+ (Gürcan, 2019b). At this point, one should highlight that the multipolarization of the global political economy goes hand in hand with the rise of South-South cooperation, embodied not only in the rise of the Latin American left and its social justice-oriented regionalism, but also in the proliferation of Eurasia's security-oriented regionalism, including the SCO, the Eurasian Economic Union, the Collective Security Treaty Organization, and other cooperation schemes such as the BRICS+6, BRI, and the AIIB (Gürcan, 2019b, 2019a, 2020). These organizations hold the potential to serve as conduits for de-dollarization in forthcoming years.

Recently, the announcement by Saudi Arabia's finance minister at the 2023 World Economic Forum was monumental. Saudi Arabia has had a longstanding relationship with the US dollar, particularly in the context of oil trade. This relationship, often referred to as the "petrodollar" system, has been a cornerstone of dollar dominance for nearly half a century. Saudi Arabia's declared openness to trading in other currencies signals a potential shift in the global energy trade, which has historically been a significant factor bolstering the US dollar's global standing. This adds to the push by Chinese President Xi Jinping for Gulf countries to accept the RMB for oil trade, which is indicative of China's strategic efforts to internationalize its currency and challenge the US dollar's dominance. If Saudi Arabia and potentially other Gulf countries start trading oil in yuan or other currencies, it would significantly erode the dollar's dominant position in global energy markets (Caudevilla, 2023).

Additionally, the March 2023 agreement between Chinese and French energy companies to settle an LNG deal in yuan is also of historic importance. Such a transaction in a currency other than the US dollar is a clear signal of diversification away from dollar-denominated trade, especially in the vital energy sector. Given the magnitude and importance of energy deals, conducting transactions in currencies other than the dollar could set a precedent for future trade agreements. Equally important is China's recent move to use the Shanghai Petroleum and Natural Gas Exchange as a platform for yuan settlements with Arab Gulf nations and a strategic effort to bypass the US dollar in energy trade. Given the vast volumes of oil and gas traded between the Gulf and China, this shift could have a significant impact on the demand for the US dollar in global energy markets. A similar situation goes for nuclear energy. The 2023 agreement between Bangladesh and Russia to use the Renminbi for the settlement of a nuclear plant transaction is yet another sign of countries seeking alternatives to the US dollar for significant infrastructure and development pro-

The RMB's progress is commendable, but the RMB is still far from realising a decisive challenge to globally dominant currencies (Photo: China Daily, 2023).

jects. It is particularly notable that Russia, a country traditionally involved in dollar-denominated energy transactions, is open to using the RMB in such a substantial deal (Sharma, 2023).

In this evolving landscape, therefore, China is seizing the opportunity to amplify its global financial footprint. In fact, China's push to reform the dollar-centric global financial system began following the 1997 Asian financial crisis. Dai Xianglong, who was then the Governor of the People's Bank of China (PBoC), expressed in 1999 that the instability caused by the dominant role of a few national currencies as international reserve currencies, as well as the system's failure to address balance of payments imbalances, leads to international financial crises. In the wake of the 2007–2008 global financial crisis, Zhou Xiaochuan, Dai's successor, emphasized the need to overhaul the international monetary system. He proposed an international reserve currency that would be independent of individual nations, and identified the weakening dollar as a key factor in the global economic crisis. This environment spurred discussions on China's capacity to establish a yuan-based trading framework through initiatives like the Belt Road Initiative and the Asian Infrastructure Investment Bank. Importantly, countries participating in the Belt Road Initiative have increasingly accepted the RMB in trade with China. Moreover, in April 2023, Argentina began using yuan instead of US dollars for Chinese imports. Brazil and China also agreed to conduct trade and financial transactions using their respective currencies. Additionally, the concept of the "Petroyuan" has been gaining increasing attention for its potential to challenge the US dollar's dominance in global oil trade, moving towards multipolarity.

China's oil contracts with Russia are predominantly yuan-denominated, and countries like Iran, Iraq, Venezuela, and Indonesia also engage in similar practices in their dealings with China and Russia. Following the 2018 BRICS Summit, China introduced yuan-denominated oil futures on the Shanghai International Energy Exchange. These futures, priced in renminbi, can also be converted into gold at the Shanghai and Hong Kong Gold Exchanges. This development allows China, as the world's largest oil importer, to trade oil domestically using gold, enabling suppliers to convert their renminbi payments into gold immediately. While the Shanghai-traded yuan oil futures still trail behind the London-traded Brent and New York-traded WTI futures in volume, they have outperformed similar products in Tokyo and Dubai. A significant milestone in this regard was reached in 2023 when China and Saudi Arabia agreed to trade oil using yuan, known as the "petro-yuan" deal. Other Gulf Cooperation Council (GCC) countries are also considering the adoption of the yuan (Zongyuan & Papa, 2022; Siddiqui, 2023; Soni & Jain, 2023; Gouvea & Gutierrez, 2023).

In parallel with the multipolarization of the international political economy, the global landscape of bilateral swap lines underwent a marked transformation during this period.

In this context, China emerged as a "contender state (Desai, 2013)," one that has "the material capabilities for competing for dominance in a system (Keersmaeker, 2017, p. 25)" and "the potential to foster global political change by promoting and expanding [its] own projects (Gürcan, 2019b, p. 6)." China's endevors as a contender state are evident in its vast holdings of US treasury bonds, the emergence of cities like Shanghai as global financial hubs, the magnitude of China's sovereign wealth funds, and the rapid increase in Chinese direct investments, development support, and credit outflows (Gürcan, 2022a; Gürcan & Donduran, 2023; Kokubun, 2003). By internationalizing the RMB, China is actively contributing to the ongoing process of de-dollarization, challenging the long-standing US financial hegemony. The internationalization of the Chinese RMB, particularly following the 2007-2008 US financial crisis, has emerged as a potent force challenging the established dominance of the US dollar in global economic structures. The global scale of this crisis cast a shadow on the prevailing US hegemony (Gürcan, 2022a; Gürcan & Donduran, 2023). It was in this transformative backdrop that the year 2009 saw the Chinese authorities enact a series of pivotal measures. They sanctioned offshore renminbi bank accounts, initially in Hong Kong, which subsequently expanded to other jurisdictions. Renminbi bonds began to be issued in Hong Kong. The renminbi was employed more frequently to invoice and settle international trade transactions. Swap lines were established between the People's Bank of China and various other central banks (Gürcan, 2022a; Gürcan & Donduran, 2023; Kroeber, 2018).

By 2015, the RMB's growing significance was recognized by its inclusion in the International Monetary Fund's reserve currency basket, positioning it among the world's top five currencies. Its ascent can further be gauged by its rising share in global currency reserves, peaking at 2.76% by the third quarter of 2022. Even with these gains, the RMB, being the fifth most active currency in global payments, still remains eclipsed by the US dollar's dominant 41.38% share (RMB Tracker Document Centre, 2022). As Kroeber (2018) rightly states, while the RMB's progress is laudable, it is yet to pose a definitive challenge to globally dominant currencies.

A significant development in RMB's journey of internationalization is the institution of the Cross-Border Interbank Payment System (CIPS), envisioned as an alternative to the dollar-centric SWIFT. Established in 2015, CIPS recorded transactions worth 5.7 trillion yuan

Figure 2. Evolution of RMB Cross-Border Payments

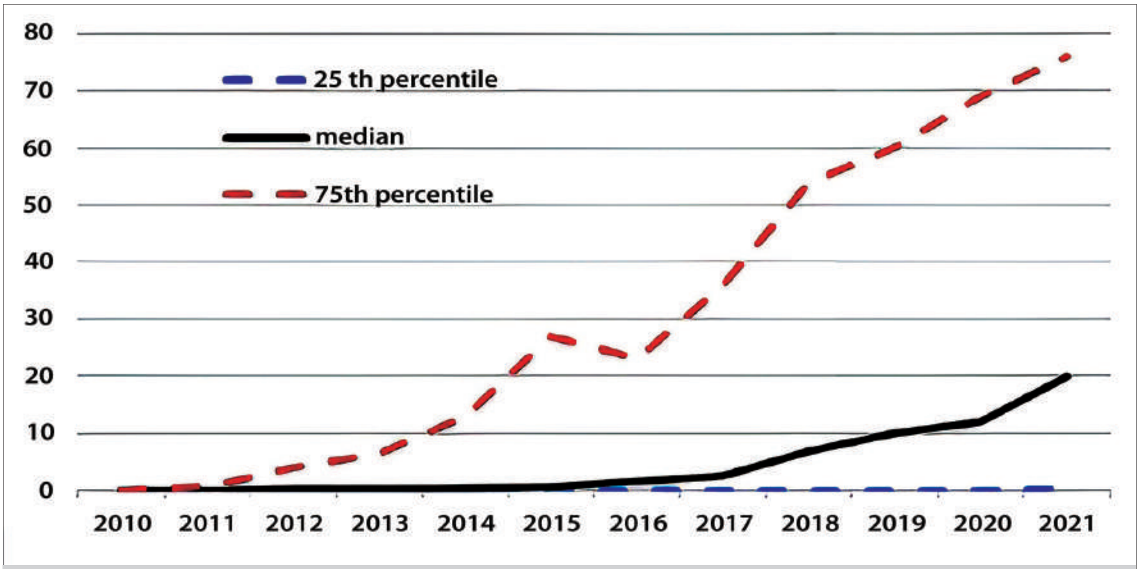

Figure and Comment Inserted by BRIQ: development of RMB in cross-border payments, measured as the share of RMB in an economy's total payments to China (Graph: IMF, 2023).

in its inaugural second quarter, a figure that astonishingly climbed to 12.14 trillion yuan by the third quarter of 2020, marking approximately a 113% growth (Gürcan, 2022a; Gürcan & Donduran, 2023; Borst, 2016). Furthermore, by 2018, 60% of CIPS transactions were conducted in currencies other than the US dollar (Kida et al., 2019). While still trailing SWIFT, CIPS's increasing share is undeniable, further punctuated by the RMB's fifth rank in SWIFT transactions, coming after established giants like the US dollar, the Euro, the British Pound, and the Japanese Yen (Barton, 2021). However, while CIPS embodies the potential to counterbalance global dollar supremacy, its current dependency on the SWIFT messaging system for transacting with banks outside China remains a palpable vulnerability. But as Eichengreen (2022) articulates, its prospects in disrupting the weaponization of SWIFT by the US cannot be understated.

It is worthwhile to underline that, in March 2023, RMB overtook dollar to become the most-used currency in China's cross-border transactions, which corresponded to 48.4% of all settlements (Reuters, 2023; Sharma, 2023). China's endeavors to reduce reliance on the US dollar and bolster the international stature of its currency, the RMB, have involved strategic maneuvers in global financial diplomacy. An integral part of this strategy has been the establishment of currency swap agreements with developing nations. By 2017, China had entered into swap agreements that amounted to more than $500 billion with 35 countries (Heep, 2014; Plubell & Siyao, 2017). This momentum did not wane; by 2020, China expanded its bilateral swap agreement (BSA) portfolio to include 41 countries, with a cumulative value surpassing RMB 3.5 trillion (equivalent to $554 billion) (Gürcan, 2022a; Gürcan & Donduran, 2023; Tran, 2022).

In parallel with the multipolarization of the international political economy, the global landscape of bilateral swap lines (BSLs) underwent a marked transformation during this period. From a mere handful in 2007, the count escalated to 91 by the end of 2020, which was triggered by the "Great Recession" as a milestone in the relative decline of US financial hegemony (Perks et al., 2021).

While, at a cursory glance, this proliferation of BSLs might not exclusively highlight China's burgeoning financial influence, it would be relevant to interpret it within the framework of China's "financial statecraft" philosophy. As elucidated by McDowell (2023), this approach aligns national financial and monetary interests with the pursuit of foreign policy objectives. Financial statecraft, as conceptualized by Armijo and Katada (2015), encompasses the deliberate deployment by national governments of their domestic or global financial assets to realize persistent foreign policy targets, be they political, economic, or financial in nature. In China's case, the surge in its BSLs, alongside its growing volume of bilateral trade, signifies a reciprocal relationship, mutually enhancing each other. Such a relationship forms a cornerstone of China's financial statecraft model (Gürcan, 2022a; Gürcan & Donduran, 2023; Lin et al., 2016; Song & Xia, 2020; Zhang et al., 2017).

Rather than merely being a participant in global governance, China aims to be at the forefront, steering dialogues and framing norms.

China's proactive steps towards de-dollarization and establishing the RMB as an international currency have manifested in various other innovative financial undertakings. Initiated in 2002, China's UnionPay credit card system was instituted as a competitor to globally renowned credit card giants, Visa and MasterCard. By 2019, UnionPay's ascendancy in the global credit card market was evident, as it held the lion's share, accounting for 45% of credit cards in circulation. This significant development is not merely about market competition. It represents a strategic move to offer an alternative financial lifeline to nations, such as Russia, Iran, and Cuba, which, due to Western sanctions, find themselves estranged from the dominant international payment systems (Gürcan, 2022a; Gürcan & Donduran, 2023; Finextra Research, 2019; Russell, 2015; Slawotsky, 2020).

Another pivotal milestone in China's financial blueprint is the creation of the Digital Yuan. Sanctioned by the State Council in 2017, the digital currency initiative has made significant strides. According to the 2021 PwC Global Central Bank Digital Currencies (CBDC) Index, China holds the distinguished third position among countries with robust and advanced CBDC projects, only behind the Bahamas and Cambodia. The momentum behind the Digital Yuan's trial phases has been noteworthy, with the total value in circulation nearing 14 billion by the end of 2022, as disclosed by the People's Bank of China (Gürcan, 2022a; Gürcan & Donduran, 2023; The State Council of the & People's Republic of China, 2023).

The advantages of the Digital Yuan are manifold. Beyond expediting financial transactions, the use of this blockchain-driven technology enhances China's capability for comprehensive financial oversight and synchronization—key attributes for maintaining a robust economy (Kshetri, 2023). Moreover, the Digital Yuan could present an avenue for other nations to sidestep the constraints of Western sanctions. Furthermore, China's foothold in the realm of Artificial Intelligence can be solidified by this initiative, and it could pave the way for the global proliferation of China's mobile payment systems. The overarching consequence of these endeavors might be China's transformation into a global pacesetter in both financial and technological domains, enabling it to set international norms and standards (Gürcan, 2022a; Gürcan & Donduran, 2023; Slawotsky, 2020).

China's push for de-dollarization and internationalizing the RMB is not just through direct financial means but is deeply intertwined with its strategic institutional initiatives and leadership in the global arena. In this regard, China's institutional leadership has been progressively positioning itself as an "agenda-setter" and "norm-maker" in the global landscape. Rather than merely being a participant in global governance, China aims to be at the forefront, steering dialogues and framing norms. This proactive role gives China the ability to influence international practices in ways that

China's push for de-dollarization and efforts to internationalize the RMB are not limited to direct financial instruments (Photo: CGTN, 2019).

can favor the RMB. Moreover, the fact that many international actors willingly participate in China-led initiatives is indicative of the perception of these initiatives being inclusive and comprehensive. Such widespread engagement not only lends credibility to these initiatives but also amplifies their reach and impact, paving the way for broader acceptance of Chinese financial instruments, including the RMB (Gürcan, 2022a; Gürcan & Donduran, 2023).

The BRI stands out as one of China's most ambitious global projects. While the initiative primarily focuses on infrastructural development and connectivity across continents, it also carries significant financial implications. By financing projects within the BRI framework, China can encourage or even mandate the use of yuan for transactional purposes, thereby promoting its global usage. If the BRI projects are primarily transacted in yuan, it could lead to an increased demand for the currency, thereby internationalizing it and challenging the dominance of the US dollar (Gürcan, 2022a; Gürcan & Donduran, 2023).

Relatedly, the establishment of the AIIB, under China's initiative, has been another critical move in reshaping the global financial landscape. Positioned as the world's first multilateral development bank dedicated solely to infrastructure, the AIIB, headquartered in Beijing, exemplifies China's strategic use of institutional mechanisms to further its financial ambitions (Wilson, 2017). By leading and guiding investments through the AIIB, China gets a platform to promote the RMB in international finance, especially in large-scale infrastructure projects across the Asian continent (Gürcan, 2022a; Gürcan & Donduran, 2023).

Similarly, the decision by members of the Shanghai Cooperation Organisation (SCO) at the 2022 summit in Uzbekistan to advance their agenda for expanding trade in local currencies can be viewed as a strategic move that further undermines global confidence in the US dollar. The SCO is not just any regional organization. It comprises major economies, such as China and Russia, and together its member states account for a substantial portion of the world's population and GDP.

Decisions made by the SCO, therefore, have considerable weight and can influence broader economic trends. Given that China is a leading member of the SCO and has been actively pushing for the internationalization of its currency, such a move by the SCO can accelerate this process, further positioning the RMB as an alternative to the dollar in regional trade (Zongyuan, 2022).

The institutional dynamics of de-dollarization also extend to the BRICS+. The BRICS's New Development Bank (NDB) has actively engaged in several initiatives, including the establishment of lending programs using local currencies. Additionally, it has set up bond programs that are registered in BRICS nations. Significantly, the NDB has emerged as the foremost issuer in the official sector of Panda bonds, which are bonds denominated in renminbi and issued in China by entities from outside the country (Zongyuan & Papa, 2022).

Parallel to these developments, Türkiye has articulated on multiple occasions its interest in deepening ties with non-Western multilateral organizations.

Importantly, the use of the dollar as a tool for sanctions and other punitive measures increasingly alienates several countries and prompts them to look for alternatives, fearing the economic repercussions of US policy decisions. Such concerns have been magnified after recent events, such as the current Ukraine conflict. Against this backdrop, the 2023 BRICS Summit witnessed a significant expansion, with six new members joining the bloc, thus forming the BRICS+6 (Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates). This expanded group would control a substantial share of the global GDP and population, which corresponds to at least 30% of the global GDP and 46.5% of the global population. Moreover, the BRICS' current debate about creating a common BRICS currency could be seen as a direct response to the challenges of dollar dependency. While the technical and software groundwork for a new BRICS currency is reportedly ready, its launch requires the political agreement of member countries. The support from three member heads of state indicates growing momentum for this initiative. Furthermore, with the inclusion of major oil-producing countries, the BRICS+6's share of global oil production would surge to 43.1%. If these countries decide to accept alternative currencies for oil trading, it can dramatically diminish the dollar's role in the global oil market. Additionally, the New Development Bank's three-year plan for de-dollarization and increased lending in local currencies demonstrates the BRICS' commitment to reducing reliance on the US dollar. Their achievements in financial cooperation, such as the New Development Bank (NDB) and Contingent Reserve Arrangement (CRA), further this agenda. This environment also shapes central bank policies and bilateral trade relations within the BRICS+6. Particularly, BRICS central banks, such as the Bank of Russia, have been actively diversifying their reserve assets, minimizing their holdings in US Treasury securities in favor of assets like gold. Additionally, the substantial decline in the use of the US dollar for bilateral trade settlements between Russia and China over five years indicates a growing preference for local currencies. BRICS' development of cross-border payment mechanisms, like the BRICS Pay system and alternatives to the SWIFT network, also suggests a desire to decrease dependence on US-dominated financial structures. The increasing acceptance of UnionPay across BRICS countries also supports this direction (Ifimes, 2023; Kumar, 2023; Liu & Papa, 2022; Ramos, 2023; Steinbock, 2023; teleSUR, 2023).

It is possible to argue that China's efforts to internationalize the RMB and its pioneering role in institutional settings, notwithstanding the enduring dominance of the US dollar, underscores the post-hegemonic nature of de-dollarization. Presently, de-dollarization represents a nascent trend, predominantly evident in developing nations seeking to diversify their monetary assets. In this context, the notion of "post-hegemony" encompasses not only the relative waning of US global influence and the rise of alternative power hubs, but also the burgeoning South-South collaboration. Additionally, it reflects myriad complexities and contradictions that arise as various actors strive to eclipse the US, all while navigating substantial economic, military, and geopolitical hurdles (Gürcan, 2020).

Amidst the combined acceleration of multipolarity and de-dollarization, there has been a notable rise in central banks' acquisition of gold worldwide. Currently, central banks account for approximately one-third of the global annual demand for gold, a level not seen since the 1950s. This trend was catalyzed significantly by the Great Recession and the consequent decline in the United States' financial dominance. The reserves of monetary gold held by central banks had decreased throughout the 1990s and 2000s. However, the 2008 global financial crisis reignited central banks' interest in gold as a valuable financial asset. This international trend of accumulating gold was predominantly observed in 49 countries that reported increases in their monetary gold reserves during these years, with Russia, Türkiye, and China being notable examples. Venezuela, facing heavy sanctions and thus isolated from the dollar system, was not alone in turning to gold. Iran, also cut off from using SWIFT messaging for oil and banking transactions, reportedly began accepting physical gold as payment for oil exports to Türkiye. In a significant move, China, in July 2015, ended years of non-disclosure about its gold reserves, revealing that it had acquired 604 tons of gold since 2009, a volume second only to Russia's acquisitions. This purchase marked an almost 60 percent increase in China's reserves since 2009, making it the world's fifth-largest holder of gold, surpassing Russia. Additionally, China is recognized as the world's largest consumer and second largest importer of gold (Siddiqui, 2023; McDowell, 2023; Lan, 2017).

Following the 2014 Ukraine crisis, Western governments imposed sanctions on Russia across various sectors. In retaliation, particularly against the sanctions targeting its financial payment system by the US and Europe, Russia initiated the Bank of Russia Financial Message Transmission System (SPFS) in 2014. By September 2022, 440 banking clients worldwide had gained access to the SPFS. Another notable shift occurred in the fourth quarter of 2020 when US dollar-denominated exports from Russia dropped by over 50% for the first time. On April 1, 2022, Russia implemented the "Ruble Settlement Order." This regulation stipulated that Western European countries wishing to purchase natural gas must open a ruble account at the Russian Natural Gas Industrial Bank to deposit foreign currencies. Additionally, between March and May 2018, there was a noticeable decrease in the value of US Treasury bills held by Russia, marking another significant milestone in its financial strategy. By 2020, approximately 30 percent of Russian reserves were in US dollars, but only 10 percent were held within the United States. The proportion of dollar-denominated debts in both corporate and public sectors in Russia had peaked at about 70 percent in the fourth quarter of 2015, before gradually declining. By 2020, the dollar's share in Russian corporate debt had reduced to around 50 percent, indicating a significant decrease. A significant achievement was reached by the fourth quarter of 2020, when the proportion of Russian exports conducted in US dollars dropped below 50 percent for the first time. At the BRICS country level, furthermore, Russia has been the most successful in reducing its reliance on the US dollar in international trade since 2013 (Yan, 2023; Zongyuan & Papa, 2022; McDowell, 2023).

One should emphasize that the sanctions imposed on Russia have inadvertently facilitated the internationalization of the Chinese Renminbi. In 2015, a significant development occurred when the state-owned China Development Bank established a 6 billion renminbi credit line with two major Russian banks, Sberbank and VTB Group. Between the first and second quarters of 2018, Russia's Central Bank reduced its dollar holdings by over 10 percent while simultaneously increasing its RMB holdings by a similar margin.

In early 2019, Russia's central bank significantly invested in the renminbi, boosting its share in Russia's foreign exchange reserves from 5 percent to 15 percent. Moreover, Gazprom Neft, Russia's third-largest oil producer and a subsidiary of the state-owned Gazprom, has been selling oil to China in exchange for yuan since early 2015. The monetary connections between Russia and China have expanded in other areas as well. For instance, VTB, Russia's second-largest bank, reached an agreement with the Bank of China to conduct transactions in their respective local currencies. Both countries have also declared their intention to bypass the US dollar in bilateral trades, opting instead for their own currencies. The collaboration between Russian and Chinese banks has been growing. China's state-owned Import Export Bank has agreed to assist Russian banks cut off from Western capital markets due to Western sanctions. Particularly crucial are the Sino-Russian gas deals, which involve the world's largest energy importer, China, and the largest energy producer, Russia, potentially challenging the global dominance of the US dollar as the primary petro-currency. Between 2014 and 2018, Russia and China managed to reduce the dollar's role in their bilateral trade by over 20 percent. By the end of 2020, at least twenty-three Russian banks had joined the Cross-Border Interbank Payment System (CIPS), China's alternative to the SWIFT payment system (Lan, 2017; McDowell, 2023; Zongyuan & Papa, 2022).

Finally, a few words are in order regarding Türkiye. In contemporary geopolitics, Türkiye occupies a unique and often paradoxical position. Historically aligned with Western interests, Türkiye has been a strategic member of the North Atlantic Treaty Organization (NATO) and has traditionally been considered a close ally of the United States. However, the bilateral relations between Ankara and Washington have undergone notable strains since the 2010s. The two countries found themselves at odds over several issues, including the US sanctions against Iran and the role of Kurdish forces in the Syrian conflict. Relations worsened following a failed coup attempt in 2016 aimed at ousting President Recep Tayyip Erdoğan, who then openly accused the US of supporting the coup plotters. This strained relationship reached a nadir in 2017 when the US threatened Türkiye with financial sanctions, ultimately imposing punitive measures in late 2018. These actions deeply affected US-Turkish relations and prompted Türkiye to seek alternatives to its dependence on the US dollar (Gürcan, 2020, p. 128; McDowell, 2023). Since 2018, Türkiye has faced a series of sanctions imposed by the US, creating significant tension within the Western alliance (New York Times, 2018; Sharp, 2023).

Parallel to these developments, Türkiye has articulated on multiple occasions its interest in deepening ties with non-Western multilateral organizations. Ankara has repeatedly signaled its intention to explore membership possibilities within the SCO and BRICS – two prominent platforms that present alternatives to the Western-centric global order (e.g., Reuters, 2022; TASS, 2018). Furthermore, Türkiye's engagement with the BRI is noteworthy. Within the BRI framework, Türkiye has championed its role in the Middle Corridor Initiative, serving as a critical bridge linking China to Europe, thereby reinforcing its geopolitical and geo-economic significance in Eurasia (Republic of Türkiye Ministry of Foreign Affairs, n.d.). Another testament to Türkiye's eastward gravitation is its active engagement with the Asian Infrastructure Investment Bank (AIIB). As an institution primarily led by China, the AIIB has seen Türkiye emerge as one of its main beneficiaries, funneling considerable funds to support Ankara's expansive infrastructure projects. Türkiye possesses a 2.54% voting share within the AIIB. Following India and Indonesia, Türkiye has emerged as the third-largest beneficiary of AIIB loans. As of 2019, Türkiye received 11% of the total loans extended by the AIIB. The majority of these funds are predominantly allocated to the energy sector (Gürcan, 2022a, p. 613).

In a move similar to Russia, Türkiye's central bank significantly increased its gold reserves in response to the escalating US sanctions. After maintaining gold reserves of around 100 metric tons from 2000 to 2016, Türkiye became the second-largest national purchaser of gold in 2017, trailing only Russia. Moreover, Türkiye not only augmented its gold reserves but also relocated them. In early 2018, amidst looming US sanctions, it was reported that Türkiye had transferred approximately $220 billion in gold from the New York Federal Reserve back to its own territory (McDowell, 2023). In 2022, Türkiye ranked as the world's fifth-largest gold importer, trailing only Switzerland, China, the UK, and India. By the second quarter of 2023, Türkiye has ascended into the top ten nations in terms of gold reserves (Statista, 2022; 2023).

Besides these gold policies, Türkiye also engaged in swap agreements. For instance, in October 2017, the TCMB, Türkiye's Central Bank entered into a local currency swap arrangement with Iran. This move aligned Ankara's de-dollarization interests with Tehran, which was also under US sanctions. Subsequently, the TCMB signed a local currency swap deal with Qatar, right after the US Office of Foreign Assets Control (OFAC) imposed Magnitsky sanctions on two Turkish officials. Following this development, Turkish authorities established a local currency trade agreement with Russia and Iran, committing to reduce reliance on the dollar in trading petroleum, natural gas, and other commodities. In October 2019, Türkiye and Russia formalized an agreement to use the ruble and lira in cross-border transactions and to utilize the Russian messaging system instead of SWIFT (McDowell, 2023). By 2022, the cumulative value of these agreements reached an impressive $28 billion. These swap arrangements have been established with a diverse array of countries including China, Qatar, South Korea, the United Arab Emirates, and Azerbaijan (Soylu, 2022). Such initiatives underline Türkiye's commitment to diversifying its economic dependencies and mitigating potential financial vulnerabilities. Despite these efforts and public statements opposing dollar dominance, however, Türkiye achieved limited success in moving away from the dollar. Data following the US sanction threats in 2017 and the actual sanctions in 2018 do not show a significant shift in Türkiye's trade practices away from the dollar (McDowell, 2023).

Conclusion

Seen from the GAG framework, the combined impact of the US banking crises, the weakening position of the US dollar, and major global players like Saudi Arabia considering alternatives to the US dollar all contribute to the broader trend of de-dollarization. The term "de-dollarization" refers to a global movement towards reducing reliance on the US dollar in international trade and finance, which encourages several countries and businesses to diversify their currency holdings and trading practices, potentially diminishing the dollar's dominant role. This process cannot be conceived outside the context of the multipolarization of the global political economy, which gained steam in the 2000s. Particularly, China, the main contender of US hegemony, emerged as the leading agent of de-dollarization. Its efforts over the last decade signify an unmistakable stride toward RMB internationalization, positioning itself as a noteworthy contender in the evolving dynamics of global finance. Despite the persisting supremacy of the US dollar, the expansion in the count and value of China's national currency mirrors China's unwavering commitment to expand its global footprint, attain enhanced financial influence, and assert its position in global economic dynamics.

China's efforts to promote the RMB on the international stage and challenge the hegemony of the US dollar are multifaceted. It is not just about the currency itself but is deeply tied to China's broader strategic initiatives and global institutional leadership. By spearheading and driving global projects and institutions, China indirectly creates pathways and platforms for the RMB's increased acceptance and utilization worldwide. In this context, the evolving financial landscape, driven by actions of the BRICS+6, BRI, SCO, and AIIB, as well as the proliferation of BSLs, and the rise of Digital Yuan, UnionPay, CIPS, and energy trade in other currencies, is a clear signal that the dominance of the US dollar is being actively challenged in the context of South-South cooperation, as a "post-hegemonic" form of international cooperation. Certainly, the perceived weaponization of the dollar and the rise of the developing world as a site of resistance to US hegemony, is hastening this shift, as developing countries collaborate to develop and implement alternatives that insulate them from the economic risks of US policy decisions.

Regarding the case of Türkiye, finally, its multifaceted foreign policy endeavors to balance the Western powers with emerging partnerships in the East. Importantly, the overarching dominance of the U.S. dollar in global financial systems continues to pose an existential threat to the Turkish economy. Yet, through proactive financial diplomacy, as evidenced by its extensive swap agreements, Türkiye seeks to navigate these challenges with increasing adeptness, indirectly contributing to de-dollarization within the context of growing multipolarity.

Overall, one could conclude that efforts to reduce reliance on the US dollar hold significant symbolic value, yet they remain somewhat limited and incomplete. There is a noticeable, albeit gradual, reduction in the dominance of the US dollar. The International Monetary Fund has recently noted a slow decrease in the dollar's role within international bank reserves, indicating a weakening of its hegemonic status. Progress has been made in diminishing the dollar's dominance, as seen in the diversification of foreign exchange reserves and in conducting trade using currencies other than the dollar. This shift is reflected in the reduced proportion of the dollar in allocated foreign exchange reserves and an increase in trade transactions using alternative currencies. The most significant change observed is in the dollar's share of foreign exchange reserves. While there has not been a sudden, major shift, there is steady advancement in the broader use of the Chinese Renminbi, which is evolving from a minor to a major strong currency. However, in areas that require extensive financial markets and networks, like foreign exchange transactions, debt issuance, and payment clearing, the dollar still retains its dominant position. To reshape the global financial system, the BRICS+ nations should persist in leading the charge towards lessening global dependence on the dollar (Siddiqui, 2023; Rana & Chan, 2022; Li, 2023; Chan & Mingjiang, 2022).

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CONFERENCE SPEECH

Former Minister for the
Development of the Russian Far East
Aleksandr Galushka

De-Dollarization of the World Economy*

Alexander Galushka is the former Minister for the Development of the Russian Far East and is currently Vice President of the Civic Chamber of the Russian Federation. Mr. Galushka graduated with honors from the Faculty of Economics of the Moscow State University of Social Sciences with a specialization at the Russian G.V. Plekhanov Academy of Economics. Mr. Galushka has published more than ten papers in economics, management and investment.

* This text is a transcription of Aleksandr Galushka's speech at the session titled "The Non-Dollar Model of World Economic Integration: A Supranational Currency and a New International Payments System as a Driving Force for the Development of Regional and Global Trade" of the Vladivostok Eastern Economic Forum on September 3, 2021. The text was transcribed and translated into Turkish by Arif Acaloğlu and translated from Turkish to English by Işıkgün Akfırat. The title and subheadings have been added by BRIQ.

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"Paradoxical as it may seem, the world economic order behaves (as a rule) only as net exporters of capital. When we look at the ratio of external debt to GDP, we see that in the developed countries, the core of the world economic system, this ratio is expressed in three-digit percentages. In developing countries, on the other hand, the ratio of external debt to GDP is expressed in double digits. This is based on the following de facto situation: an unbalanced exchange of value between the countries that form the core of the world economy and the countries that are the periphery of this economy."

HISTORICALLY, RUSSIA JOINED THE DOLLAR-centered world financial architecture 30 years ago. The experience of the past 30 years allows us to comprehensively assess what is happening in the Russian and world economy. The most important trend over these 30 years has been the continuous flow of money out of Russia. According to Bloomberg, between 1994 and 2018, about 1 trillion US dollars moved out of the Russian Federation. The exception was only two years (2006-2007) when the inflow of money was higher.

It is clear enough that there is a consensus among politicians and experts that the economic model established in Russia is based on raw materials and that this model has exhausted itself. Given this consensus, it is impossible to expect any inflow of capital into the Russian Federation. In this context, the flow of over 80 billion US dollars from Russia to the Virgin Islands in 2014, for example, is significant enough. This is more than 70 times the total economy of these islands. In July last year, the Russian Central Bank raised its expectations for the outflow of $35 billion from our country to $50 billion this year.

At this point, it is important to note the following: On the one hand, there is a total lack of investment in our economy and an enormous need for investment resources. On the other hand, this most important issue is dominated by the outflow of money in enormous sums.

Capital Transfer from the Periphery to the Centre

It should also be added that this is not unique to the Russian developing economy. It is a world economy-wide problem; it is a problem for all developing economies. Paradoxical as it may seem, the world economic order behaves (as a rule) only as net exporters of capital. When we look at the ratio of external debt to GDP, we see that in developed countries, the core of the world economic system, this ratio is expressed in three-digit percentages (100 percent or more). In developing countries, on the other hand, the ratio of external debt to GDP is expressed in double digits (10 percent and above). This is based on the following de facto situation: an unbalanced exchange of value between the countries that form the core of the world economy and the countries that are the periphery of this economy.

Given that the Russian economy is essentially a peripheral raw material economy within the world economic system, there is no chance of money flowing towards Russia from the global architecture under the current model.

At the heart of this situation is the global income gap: Developing countries that have built up their own reserves do so from assigned, certain, risk-free assets with low rates of return. An objective assessment of these low-return, risk-free assets shows a low return on reserves. On the other hand, the returns on external financial resources have higher rates of return than those in Russia's reserves. Such a global income gap is one of the most serious foundations of this unbalanced exchange in the global economy and the constant movement of capital from the periphery to the core countries.

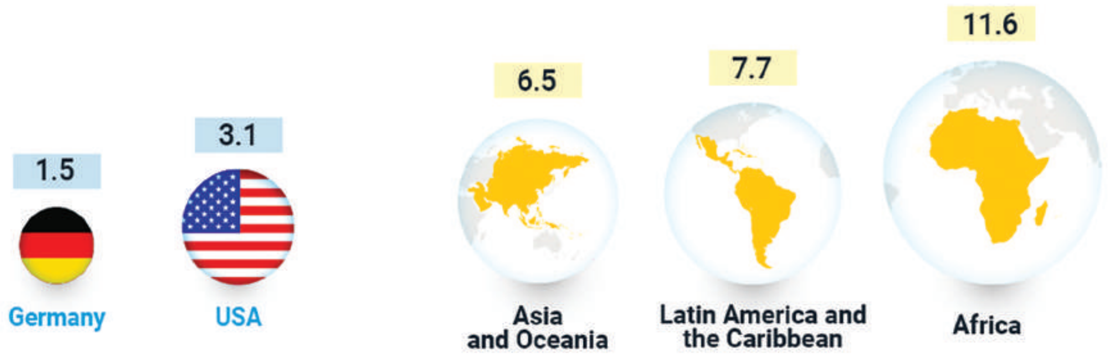
It is clearly visible that this has been the case for decades. This contradiction, this de facto situation, is also evident when we look at economies' size, purchasing power, and GDPs as measured by currency parity. In fact, we can see this trend between 1991 and 2019, which speaks volumes. This gap between purchasing power and the exchange rate in the world economy increased 6-fold, from 7 trillion to 46 trillion in US dollars. As a rule, this deficit has been more pronounced in the peripheral economies of the world economic system, in developing economies, and one of them—Russia.

The world is experiencing the pressure of politics on the economy, trade wars, threats of freezing accounts, limiting payments, and using the dollar infrastructure of SWIFT as part of sanctions. The country that produces the world's reserve currency, the United States of America, may unexpectedly apply all these measures against different countries. The target country could be Western European countries or Asian countries. Almost all countries have experienced or felt this reality in recent years.

Structural Conflict

In terms of the methodology of shaping the world financial architecture, there is nothing new in principle in the theoretical dimension of this issue, in other words, in the methodology of this problem. This has all been known for a long time and is the structural, fundamental point. The fact that the national currency of a country (and it doesn't matter which country it is, I want to emphasize that) suddenly becomes the reserve currency of the whole world is an environment of conflict of interests, and this conflict is structural. This situation was described a long time ago, exactly

Figure 1. Developing countries pay much more for their borrowing Bond Yields (2022-2023)



Illustrative comparison of the average JPM EMBI Global Diversified USD bond yields per region with the 10-year bond yields of Germany, and the United States from January 2022 to May 2023. UN Global Crisis Response Group calculations based on (April 2023) IMF World Economic Outlook (Photo: UNCTAD, 2023).
Retrieved November 1, 2023 from https://unctad.org/publication/world-of-debt

50 years ago, as the Triffin Paradox. That description identified a continuous, structural, permanent and essentially insoluble conflict of interests. This is because a certain party has its own monetary interests in line with its national interests, and its currency is accepted as a reserve instrument. Meanwhile, the world economy has different interests and priorities.

Again, from the point of view of world economic thought, there is not only an identification of this problem but also an alternative solution. This alternative was proposed as early as the beginning of the 20th century by the great Russian economist Mikhail Tugan-Baranovsky. These ideas were also echoed in the thoughts of John M. Keynes, a prominent figure in world economic thought. At a conference in 1944, Keynes proposed not the adoption of the US dollar as the world reserve currency but the creation of a World Payments Union and adopting a special, transnational, cashless form of currency, which he called the "Bancor".

As for the possibility of realizing such a practical idea, there will be a successful experience in Eastern Europe. Between 1964 and 1990, a cashless currency was created to service foreign economic activity: The transferable ruble. These transferable roubles were used not only in the framework of the economic relations of Eastern European countries (at that time, it was a planned economy) but also in their trade with countries with market economies (e.g. Finland, Mexico, Iraq). In 1979, 15 years later than in Eastern Europe, this kind of transnational, cashless "European Currency Unity (ECU)" was introduced on a large scale in Western Europe. This currency later evolved into the "euro", reflecting the further monetary integration of the countries of the European Union.

The IMF mentioned here has used cashless, transnational currencies since 1969 as a form of special borrowing rights. As is known, not so long ago, the IMF doubled the issuance of these special borrowing rights.

At the level of the symptoms of what is happening in the world economy, it is clear that this approach is a reaction to the problems that have been accumulating for years and decades and are now particularly intensifying. And the doubling of the volume of this transnational currency in the world economy is related to this.

This step involves the formation of international clearing payments in addition to bilateral clearing and establishing an International Clearing Union that can deal with this problem based on platforms such as the Eurasian Union and the SCO.

If one listens to the views of the heads of the central banks of different countries, it becomes clear that they urge that the world financial architecture has exhausted itself and that the US dollar should be abandoned as the world's reserve currency. Many people can be cited here, but it is important to note that the Governor of the Bank of England, Mark Carney, said that the dollar as a reserve currency has exhausted its potential and that new solutions must be found. The Governors of the People's Bank of China said the same thing.

The first is the diagnosis of the situation, the second is the theory and practice of different solutions, and the third is the increasing relevance of the practice of different solutions. Today, it is very important that we discuss these issues within the scope of our panel. It is much better to discuss these issues in advance and with a preventive approach than to be late (and there is actually no such thing as "being late", but it can be much more difficult when it is late).

Algorithm of the New Financial Architecture

While discussing the theoretical side of the issue, the best solutions, the next strategic steps, and the algorithm for building a new financial architecture are on the agenda. Today, when we look at the balance of trade of Russia with many countries (countries of the Eurasian Union, China, India, and many European countries), the volume of goods we send there and the volume of goods we receive there are large enough—they coincide. But why do we mainly use dollars and not, for example, clearing? To make payments without using the currency of third countries, world economic thought has created this instrument, the institution of clearing. It would be wise to start with bilateral clearing with countries with which we have a large trade volume. Moreover, modern digital technologies can make this process much simpler. As a matter of fact, it is much simpler to do this today than it was after World War II when clearing became widespread.

This is the first step, and the second step logically follows. This step involves the formation of international clearing payments in addition to bilateral clearing and establishing an International Clearing Union that can deal with this problem based on platforms such as the Eurasian Union and the Shanghai Cooperation Organization. Logically and naturally, the next step, the next stage of establishing such a financial architecture in the world, is the transition to a payments union; more clearly, the transition from clearing to a payments union. This system, which ensures international trade, international payments, and the functioning of international economic relations, can be established based on a very rich experience, an understandable theory, a transnational currency.

I want to emphasize that there is nothing fundamentally new here. And I want to emphasize that modern technologies have made this much easier. But I think it is important to clearly assess the problem, make a correct diagnosis, and prioritize strategy over tactics. In this way, this path will be understandable enough. Yes, it will take work, it will take effort, but we are not going to reinvent the wheel.

Lastly, I want to make one final point. In this situation, it is important not to get away from the fire of one currency and get caught in the fire of another. This would happen if we substitute one country's currency, which is a reserve currency today, with another country's currency. In this case, neither the Triffin Paradox nor the conflict of interests arising from problems of a permanent and structural nature would disappear.

Nevertheless, we must always remember that human civilization will never lose its ability for creative development. Not much time has passed since the ideas of a hundred years ago; ideas are born, realized and successfully implemented. We need to be aware of all of this in principle and, in our opinion, move toward a logical and efficient clearing system.

New Financial System in the Developing World for a Fair World

Aleksandr Galushka was also a speaker at the online workshop titled "The New World in the Context of Russia's Operation in Ukraine", organized on May 7, 2022, by the New International Order (NINTO) Initiative, which was established in 2021 on the initiative of the Vatan Party (Türkiye) International Relations Bureau. Dr. Doğu Perinçek, Chairman of the Vatan Party, was the first speaker at the event, where 21 representatives of institutions and intellectuals from six continents and 19 countries made presentations. Aleksandr Galushka spoke second after Dr. Perinçek at the workshop and said the following:

After Russia launched a special military operation in February 2022, the United States imposed unprecedented sanctions and froze Russian reserves—sovereign reserves. Over time, the need to de-ideologize the world economy has steadily increased. Essentially, the dollar has become a weapon, a militarized world reserve currency. Most importantly, it has become impossible for the dollar to be seen as a risk-free asset in the world economic system, a risk-free means of meeting reserves. This situation demands a more strategic approach, historicity and creativity from countries concerned with real prosperity, sustainable development and real sovereignty in the world's new financial system. This system will ensure fair and participatory relations between all countries, serving the prosperity and development of all countries without allowing any country to become a parasite in the future.

Peer Reviewed Review Article

The Shattering Dominance of the US Dollar and the Establishment of a New Financial System

SERHAT LATİFOĞLU*
Hedge Fund Manager

Serhat Latifoğlu is a hedge fund manager. In the first eleven years of his career, he worked in managerial positions in various banks and stock brokerage companies. He also worked on the derivatives desks of various brokerage companies. Over the last ten years of his career, he founded and managed various funds and business in several sectors. Particularly, Mr. Latifoğlu founded the first Turkish derivatives arbitrage fund in Switzerland. In addition, he is the co-founder of a London-based boutique wealth management firm Versum Wealth, which concentrates on multiple business areas. He recently co-founded a hedge fund trading in international financial markets, applying AI technology and picking patterns with behavioral finance approach. Moreover, Mr. Latifoğlu advises several firms among the top 100 Turkish companies ranked in terms of their position in the financial markets. He earned a bachelor's degree in Public Finance from Marmara University and holds a Certificate in Behavioral Finance from Yale University and several certificates from various financial authorities worldwide. He served in the board of a number of civil society organizations such as Rumeli Türkleri Derneği/Rumeli Balkan Federasyonu, RUYİAD and Karadeniz Vakfı.

E-mail: serhat@versumwealth.com

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ABSTRACT

After the financial crisis in 2008, developed Western countries entered a protracted period of stagnation. The economies of the over-financialized Western countries had difficulty compensating for the damages caused by this financialization. During and after the crisis, countries that emphasized production, such as China, overcame the crisis by growing and strengthening. The international institutions of the West have worked hard to compensate for the damage caused by the international financial system established at the behest of the United States. However, priority was given to the US and Western countries. In the post-2008 period, the US dollar and the financial system dominated by it suffered a major loss of confidence. Some organizations started to work as an alternative to this system. Organizations such as the SCO (Shanghai Cooperation Organization) and BRICS, composed of members of independent developing countries, have taken a series of concrete steps and created the basis for a new financial system. The aim of the new financial system is to minimize dollarization, establish alternative international financial institutions, and eliminate the financial hegemony of the US. There are four main components for the breakdown of US financial dominance: the utilization of national currencies in bilateral and multilateral trade agreements, the establishment of new international investment banks, the establishment of national credit card systems on the consumption side, and the widespread usage of currencies alternative to dollar and gold in central bank reserves. The subject of this article are the steps taken by the BRICS in the processes of the decline of the US financial hegemony and the establishment of the new financial system, the importance of SWAP agreements in bilateral and multilateral trade relations, and the course of the financial groundwork established by China and Russia starting from the mid-2010s. All these topics represent the cornerstones of the New Financial System.

Keywords: BRICS, digitalization, dollarization, 5R, New Financial System.

THE MOVES THAT THE US MADE RIGHT after 1945 and in the following process enabled it to dominate the world financial system. In economic terms, US financial domination is characterized by serving the interests of international monopolies and enabling them to achieve high profitability. Four main sources feed US financial dominance:

1. Profits are made on the speculation of the US dollar.

The US dollar is the world's most important barter, payment, and reserve currency. The monetary systems of most countries are heavily dependent on the US dollar. High profits are generated, and the continuous manipulation of the US dollar dominates financial markets.

2. The US exports its economic crisis through the dollar hegemony.

The US debt crisis gets deeper every day. By adjusting the dollar supply through the Fed, the US exports its debt and other financial problems to countries dependent on it. The Fed's ultra-expansionary policies before the COVID-19 pandemic reduced dollar assets and caused many countries to import inflation.

3. It provides control of international trade and access to economic intelligence.

CHIPS (Clearing House Interbank Payment System) monitors the traffic of US dollars on an international scale. The SWIFT (Society for International Interbank Financial Telecommunications) system, established in 1973, ensures the security of US dollar transactions. The SWIFT system, which connects more than 11,000 financial institutions in more than 200 countries, transmits about 1.8 billion messages annually and sends payment orders worth about $6 trillion daily, is the world's largest monopoly (SWIFT, 2023). The US has strong control over the SWIFT system. Therefore, SWIFT can process transaction information quickly and make it suitable for the "long-arm jurisdiction" policy of the United States. Most of the world's international exchanges and payments in US dollars are made through SWIFT and CHIPS. The US, therefore, has control over the flow of US dollars and gains important economic intelligence from them.

US can isolate sanctioned countries from the international dollar system, thereby severely damaging their international financing and trade.

4. The US can impose financial sanctions through its financial hegemony.

Most of the financial institutions worldwide are frequently discouraged by the US. They are compelled to comply with the US policy of "extraterritorial jurisdiction" and freeze the assets of sanctioned countries according to US instructions. By imposing specific sanctions on financial information transmission systems, the US can isolate sanctioned countries from the international dollar system, thereby severely damaging their international financing and trade. The US Treasury Department's Office of Foreign Assets Control (OFAC) maintains three types of financial sanctions lists: Specially Designated Nationals and Blocked Persons List (SDNs), Consolidated Sanctions List, and additional OFAC Sanctions List. US companies must freeze the assets of, and not engage in any transactions with, individuals and entities on the Specially Designated Nationals List without OFAC approval (OFAC, 2023). After 2000, the US imposed "smart sanctions" in the financial sector that hurt Iran, the Democratic People's Republic of Korea, and other countries. In September 2014, the European Parliament passed a resolution prohibiting SWIFT's software provider Finastra from suspending its services to two Russian banks in September 2017. In November 2018, the US Treasury Department announced that SWIFT would be subject to US sanctions if it provided services to Iran. SWIFT was forced to cut its interface with Iranian financial institutions. In December 2020, the United States announced sanctions against 14 vice-chairmen of the Standing Committee of the National People's Congress (China) in an attempt to intervene in the Hong Kong issue, and the Chief Executive of Hong Kong became the target of US financial sanctions. After taking office, the Biden administration pushed for new Western sanctions against Russia, citing the Navalny case as the reason for placing many senior Russian officials on the financial sanctions list. This list has grown longer and wider against Russia since the start of Russia's operation in Ukraine in 2022. The sanctions against Russia have reached a point that threatens the stability of the world economy.

The Process of De-dollarization Accelerates in the world

The US abuse of its financial hegemony seriously threatens the stability of the world monetary system and leads to escalating international frictions. High dollarization and the problems it causes have led many countries to expand the use of national currencies internationally. More than 40 countries, including China, Russia, Türkiye, Japan, and some EU countries, have started the process of "de-dollarization". The post-World War II status quo favored "petrodollars". Since the US was the world's largest oil importer, exporting countries supported the dollar's dominant status. But now that the US is an oil exporter, the petrodollar has lost its meaning for other oil-exporting countries. Therefore, oil exporters like Saudi Arabia and the Gulf States will be important for ending dollarization. Indeed, in 2022, Saudi Arabia announced that it would accept the yuan as payment for its exports to China. However, the world's "de-dollarization" process presents itself in three ways:

1. US dollar reserves and US dollar debt are being reduced.

The share of the US dollar in central bank reserves has fallen to historic lows. Türkiye, China, France, Germany, Russia, India, and Iran have reduced their dollar reserves in the last decade. The Fed's SWAPs with the central banks of these countries have fallen significantly (Perks, Rao, Shin & Tokuoka, 2021). Consequently, international investors' demand for US bonds has also declined.

2. The role of the US dollar in international economic cooperation is declining.

The agreement between China and Russia to reduce the use of the US dollar and its implementation are typical examples. In 2015, nearly 90 percent of Russia-China trade was conducted in US dollars. By the end of 2020, this ratio had fallen to 46 percent (Global Times, 2021).

3. The role of the US dollar in international monetary traffic is being diminished.

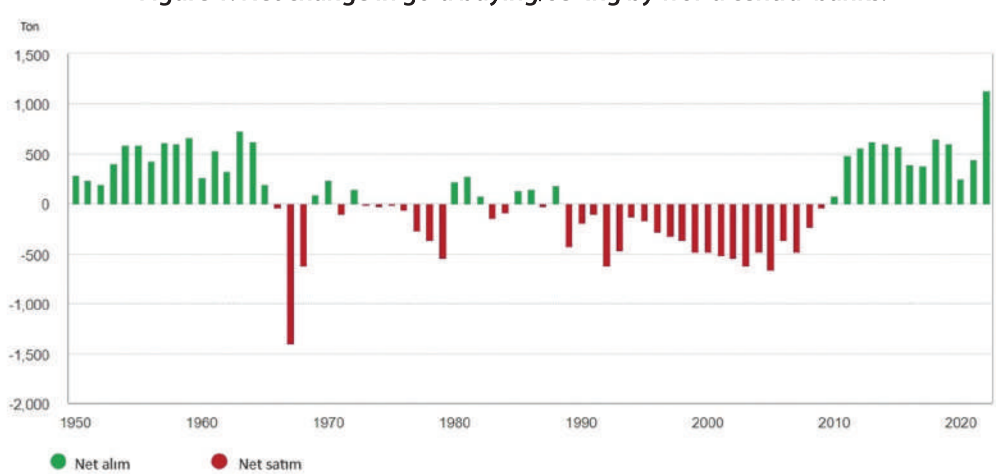
Getting rid of SWIFT, an important instrument of US financial hegemony, is at the top of many countries' agendas. In 2012, Russia started using its SPFS (Financial Message Transfer System) as an alternative to SWIFT. In early 2018, SPFS was extended to the Eurasian Economic Union member states. At the time of writing, it is actively used by 52 international organizations and hundreds of financial institutions in 12 different countries. CIPS (Cross-Border Payment System), officially launched by China in October 2015, is used for cross-border yuan settlement by financial institutions inside and outside China, enabling real-time funds transfer. Another feature of CIPS is that it also provides cross-border settlement custody services. As of June 2022, 1341 institutions were using CIPS, including 76 "direct members" and 1265 "indirect members". Among indirect members, 965 are from Asia (547 from China), 185 from Europe, 46 from Africa, 29 from North America, 23 from the Pacific Ocean, and 17 from South America, covering 106 countries and territories worldwide (CIPS, 2022). The China Foreign Exchange Trade System (CFETS) has launched a PVP payment system between the yuan and the ruble. It plans to expand PVP systems with other foreign currencies within the Belt and Road Initiative's framework (Reuters, 2017). Another money transfer system is the EU-developed INSTEX (Instrument in Support of Trade Exchanges).

INTEX, established by Germany, France, and the UK for oil and commodity trade with Iran, is a system of collecting clearing documents that allows Iran to supply oil and other products to Europe. But instead of being remitted to Iranian banks, payments are remitted to European companies that supply industrial products, pharmaceuticals, and foodstuffs to Iran. Commodities flow to and from Iran, but all the money stays in the EU. In addition, Russia, China, and India are working on a project to maintain emergency electronic communications in the event of a SWIFT link failure. The central banks of the three countries have developed a system to transfer financial information transfer systems and transaction information (Chaudhury, 2019).

The Distribution of Reserves in Central Banks Are Evolving

After the crisis in 2008, central banks began to change their reserve policies in two main directions: reducing the dollar's weight and shifting to alternative currencies, particularly the yuan, and increasing the share of gold in reserves. After the crisis, the sum of the US dollar's reserves in emerging markets began to decline slowly. 25 years ago, the US dollar accounted for 71 percent of the total reserves of the world's central banks. By June 2022, it had fallen to 58.8 percent. In 2022, central banks' net gold purchases amounted to 1135 tons. The central banks that made the purchases were those of developing countries such as Türkiye, China, and Russia. As of January 2023, central banks purchased the largest amount of gold in 55 years. In 1999, central banks held about 27,780 tons of gold, but their gold reserves had fallen to 24,380 in 2008. By 2022, the total gold reserves of central banks have reached 29,770 tons (World Gold Council, 2023). In 2022, after the arbitrary freezing and virtual looting of the reserves of the Central Bank of Russia and the assets of Russian businessmen, the tendency of central banks to increase their gold reserves strengthened. This trend will continue until a more secure financial system is established.

Figure 1. Net change in gold buying/selling by world central banks.



In 2022, central bank purchases were the highest in history (Graph: Goldhub, 2023).

A Key Actor in the New Financial System: BRICS

BRICS, which accounts for at least 25 percent of the global GDP, pioneers alternative reserve currencies. The organization is simultaneously the world's largest producer power, consumer market, and source of raw materials. This economic power is also visible in the reserves of their central banks. Collectively, the central banks of the BRICS countries hold close to 4.5 trillion dollars in foreign exchange reserves (World Bank, 2023). In other words, BRICS has the world's largest foreign exchange reserves. The gold reserves of BRICS members stand at 5,288 tons. As of December 2022, Russia holds 2,299 tons of gold reserves, China holds 1,949 tons, India holds 785 tons, Brazil holds 130 tons and South Africa holds 125 tons. The BRICS members' overall gold reserves represent the world's second-largest reserves (World Gold Council, 2023). By increasing the diversity of their reserves and gold positions, BRICS central banks will increase their weight as the world's largest reserve power. They will be the biggest driving force in ending the dominance of the US dollar.

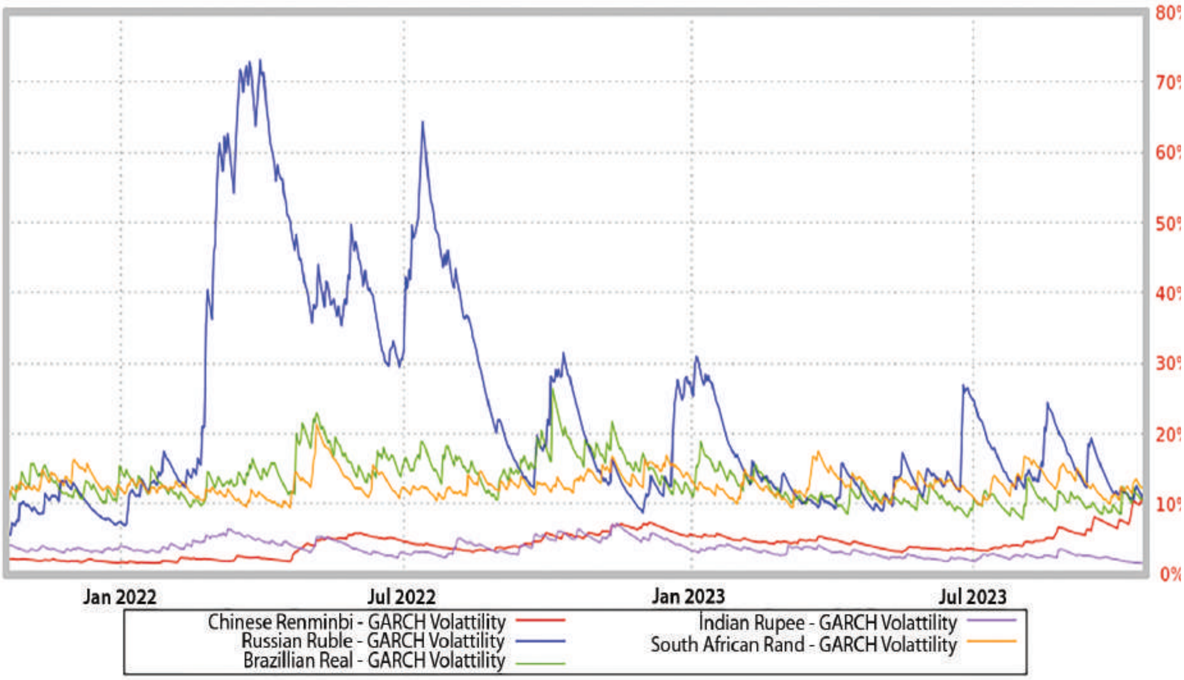
5R: Reserve Currency of the Alternative Financial System

The New Development Bank (NDB), established by the BRICS, is the institution that will design the new reserve currency and export it to the international financial system. For now, the new reserve currency is called the 5R. 5R stands for the initials of the currencies of the BRICS countries: real, ruble, rupee, renminbi, rand. The 5R is expected to be a basket containing the currencies of these countries. According to the design, the 5R will not be a currency that replaces national currencies (like the euro). Rather, the 5R will complement national currencies and support the position of the currencies of developing countries as reserve currencies. In the first phase, the 5R will be used as an accounting unit to facilitate transactions between national currencies. In the medium and long term, the main expectation from the 5R is that it will be used in the central banks of the BRICS and neighboring countries for settlement transactions, payments, and reserves.

The 5R is strengthened by the fact that BRICS is the world's largest economic union. In the first phase, 5R use will start with foreign trade transactions. Over time, 5R will be used for investments in both BRICS members and non-BRICS neighbors. BRICS members, spread across Eurasia, Latin America, and Africa, have a great advantage in being active in regional development banks. In particular, the AIIB (Asian Infrastructure Investment Bank) is an investment bank that will greatly support the NEB in Eurasia. This bank has a positive development pace and has reached great potential. The practices that 5R will launch on the investment scale are expected to make great progress with the influence of the AIIB. These regional development and investment banks will play a major role in implementing the 5Rs and developing joint projects on a regional scale.

The currencies in the 5R basket have separate volatilities. Currently, the yuan has the lowest volatility. In addition, the yuan's share in the 5R basket will initially be high due to China's large foreign exchange reserves. Over time, as other BRICS members and BRICS candidate countries join, the diversity of currencies in the basket will increase.

Figure 2. 2021-2023 yuan GARCH volatility.



The currencies in the 5R basket have separate volatilities (Graph: V-Lab, 2023).

Slow and Steady Rise of the Yuan

China's economy is currently the leader of the world economy. It is the world's largest economy by PPP (purchasing power parity) and second-largest by nominal GDP (Trading Economics, 2023). China is the world's largest trading nation and the world's largest consumer market. However, the yuan is not widely used at a scale commensurate with China's economic power. Given the development potential of China and its neighboring countries, it is inevitable that the international use of the yuan will grow rapidly in the coming years.

After launching a pilot cross-border trade scheme in China in 2009, the yuan's cross-border use has gradually expanded, and its pricing function in international markets has steadily improved. In October 2016, the yuan was included in the IMF's SDR. The yuan has become the third largest currency in the weight ranking of the SDR, and its weight continues to increase. Data published by SWIFT in December 2022 showed that the yuan rose to fourth place in the ranking of global payment currencies based on monetary statistics, with a share of 2.7% (SWIFT, 2023). Russia announced that yuan bonds have been issued, and the yuan has been included as a reserve currency. The yuan's share in Russia's foreign exchange reserves rose from 2.8% in 2018 to 13.8% in 2021 (The Wall Street Journal, 2023). The gradual rise of the yuan is obvious from the data, and this steady rise further increases the chances of success of the 5R as an alternative reserve currency.

Swaps as an Instrument of the New Financial System

SWAP agreements made by central banks greatly contribute to the widespread use of the yuan and national currencies. In this context, the People's Bank of China used SWAP agreements widely after 2008. By the end of 2021, China's central bank had signed SWAP agreements with 41 countries (Atlantic Council, 2022). Türkiye, Pakistan, Russia, Nigeria, Algeria, and Iran use the yuan as a swap currency. Countries with SWAP agreements based on national currencies include Russia, Japan, South Korea, Argentina, the United Kingdom, Switzerland, and Brazil (The People's Bank of China, 2023).

The History of Swaps

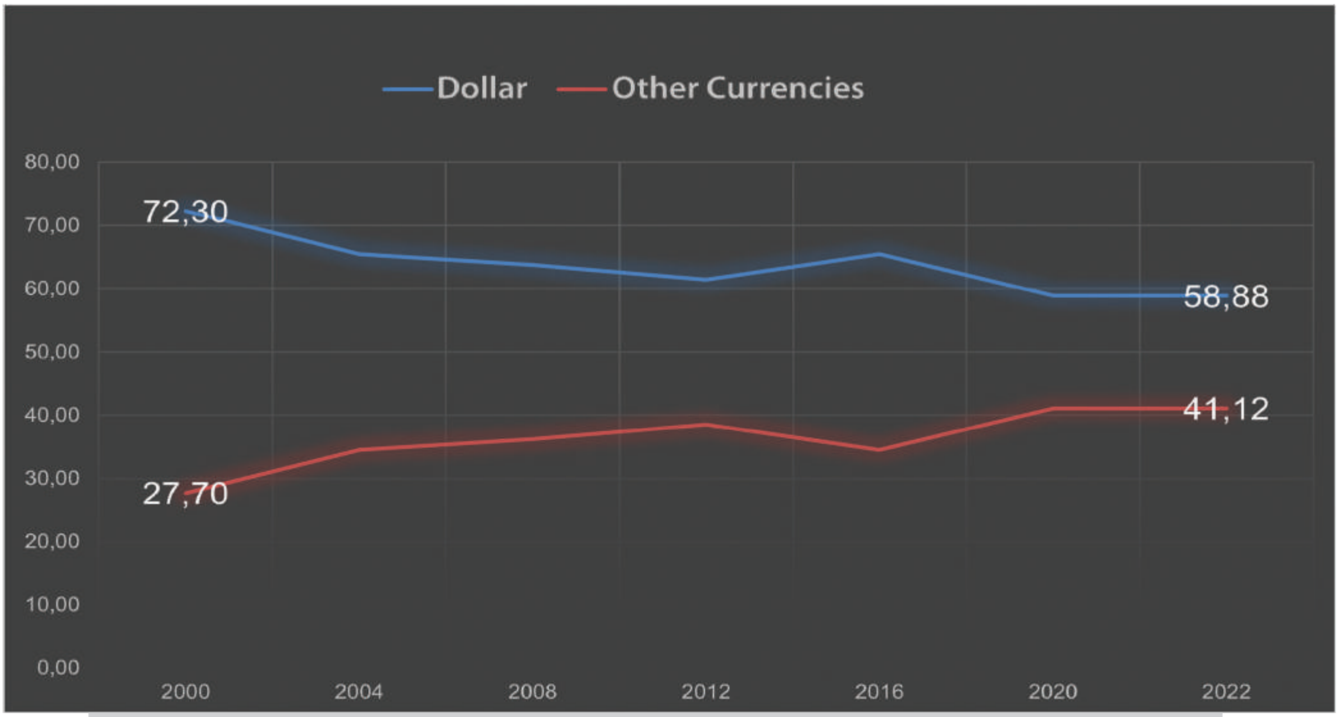
In the international financial system, SWAP transactions at the central bank level have been conducted since the 1880s. Until the 1920s, SWAP transactions were gold-based transactions. Central banks needing gold temporarily exchanged their gold reserves through SWAP agreements. SWAP transactions based on today's fiat currency or foreign exchange began after the 1960s. The central banks of the United Kingdom, Canada, and the United States pioneered foreign currency-based SWAP transactions (McCauley & Schenk, 2020: p.4).

On February 28, 1962, the central banks of the United States and France signed a SWAP agreement. At that time, 50 million US dollars were exchanged for 500 million francs. The duration of the SWAP transaction was three months. However, the swap was extended since the US dollar could not be stabilized. When the US dollar crisis spread across Europe, SWAP agreements were signed with European countries such as the UK, Switzerland, the Netherlands, Germany, Italy, Austria, Belgium, and Canada. The size of the successive deals reached 900 million dollars. When the Bretton Woods system was in place, SWAP agreements were made to stabilize the US dollar due to rapidly rising inflation in the US. As a final measure against rising inflation, the US unilaterally exited the Bretton Woods system, which it had built itself. Thus, the link between the US dollar and gold was broken. After August 1971, SWAP agreements continued unabated. In the mid-1970s, deals reached $20 billion (Bordo et al., 2015).

Given the development potential of China and its neighboring countries, it is inevitable that the international use of the yuan will grow rapidly in the coming years.

After the collapse of the Bretton Woods system, demand for strong currencies increased in international markets. This was because the unilateral decision of the US had pushed the markets into a new crisis. The support provided by the IMF did not meet the demand in the markets. In this process, SWAP agreements made by central banks came to the rescue of countries demanding foreign currency. SWAP agreements had two main characteristics: the volume of the agreements was small, and their maturities were short (McCauley & Schenk, 2020: p.3).

Figure 3. World Foreign Exchange Reserves



IMF data were used for the graphic (Graph: BRIQ, 2023).

Swaps After the 2008 Crisis

The 2008 crisis led to a new era in SWAP agreements. Immediately after the 2008 crisis, the Fed (US Federal Reserve) signed $20 billion in SWAPs with the ECB (European Central Bank) and $4 billion with the Swiss National Bank. By September 2008, seven more SWAPs were signed with the ECB and the Swiss National Bank. In a short period, the size of SWAPs with these central banks reached USD 240 billion. The Fed's SWAPs with Canada ($30 billion), Japan ($120 billion), the UK ($80 billion), Denmark ($150 billion), Norway ($15 billion), Australia ($30 billion), and Sweden ($10 billion) reached a total of $620 billion. The SWAPs matured in February 2010 and have not been renewed since the crisis ended (IMF, 2021).

However, after the maturity, due to the debt crisis in the EU, new SWAP agreements were signed in May 2010 with the central banks of Canada, the UK, the ECB, Japan, and Switzerland. The maturity of the SWAPs was until November 2013. After these SWAPs, the nature of the transactions started to change because central banks started to prefer to hold their foreign exchange reserves by making SWAPs with certain maturities rather than holding them. After 2013, the ECB, Switzerland, Japan, Canada, and the UK changed their SWAP agreements with the Fed to 'indefinite and unlimited amounts' and were used as needed (IMF, 2021).

Since the US dollar is a reserve currency widely used in foreign trade, SWAPs are mostly used to meet the demand for US dollars. However, this trend started to change after the 2008 crisis. When the 2008 crisis shook confidence in the US dollar and the EU debt crisis hit the euro, central banks focused on alternative currencies. The tendency to spread risk by holding different currencies as reserves has continued until today. In addition, the tendency of central banks to make SWAPs by exchanging their currencies for the currencies of other countries has strengthened. One of the first examples of this practice in Western countries was the Swiss National Bank's SWAP agreement with the Central Bank of Poland in June 2012. The agreement was for the Swiss franc against the Polish zloty. Similarly, in December 2012, India and Japan concluded a 3-year SWAP transaction of $15 billion in national currencies (Wiggins et al., 2023: s.40-88). Simultaneously, China's bilateral SWAP deals within the Belt and Road Initiative framework began to spread.

The Great Transformation of Swaps

The chart on page 15 of the IMF report "The Evolution of Bilateral SWAP Agreements" provides a dramatic picture of the course of SWAPs. At the end of 2009, SWAPs clustered in three main focal points: the US, the EU, and Japan. At the end of 2020, this picture changed dramatically. The distribution of SWAPs according to their size is as follows: US, China, EU, and Japan. In other words, the People's Bank of China has become a powerful player in the international financial system with its widespread SWAP agreements.

In the debate on SWAPs, neoliberal economists argue that SWAP transactions among Western central banks ensure international stability (Rosalsky, 2020). What should not be overlooked here is the following: For these central banks, maintaining the existing financial system and preserving the hegemony of the US dollar is the priority. Therefore, it is a common practice for them to denigrate and try to undermine the emerging alternative financial system and instruments. In fact, they also implicitly or indirectly admit that the consequences of the West's methods of solving internal problems are the main source of instability in the world economy. The problems created by the West's SWAP transactions are the following:

The 2008 crisis led to a new era in SWAP agreements.

1. The US dollar always follows a course that suits the needs and interests of the US economy. The over-financialized US economy is frequently in crisis. It is, therefore, impossible to avoid possible crises and shocks.
2. Since exchange rates follow a course in line with the interest rates set by the Fed, they cause liquidity problems and instability in international financial markets.
3. There are still no clear standards for the international balance of payments. These problems create a structure that exclusively ties the international financial system to the West.

By 2022, the yuan was the 5th most traded currency in foreign exchange markets.

Figure 4. Swap Cycle at the End of 2009

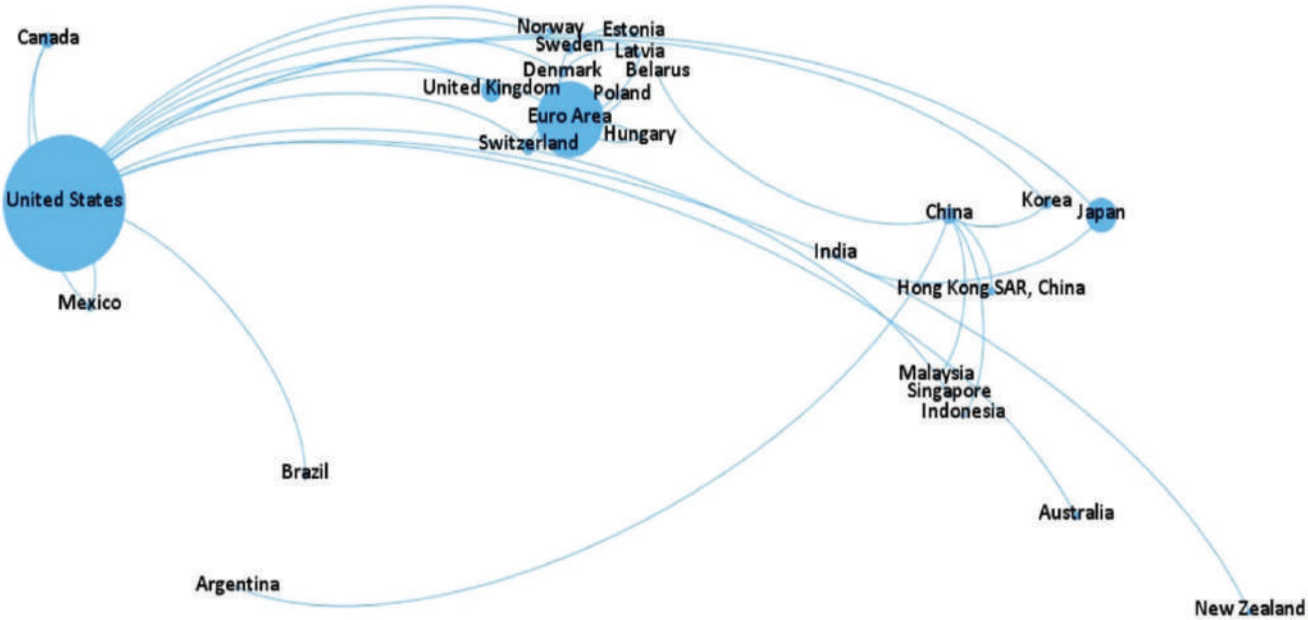


Chart showing end-2009 bilateral swap agreements
(Graph: Perks et.al., 2021).

China accounts for more than 15 percent of world trade and is the most important trading partner of the world's largest economies, yet the proportion of trade transactions in yuan is close to 2 percent of total trade volume. The yuan is now held in reserve by 70 central banks, although its share in foreign trade transactions remains low (SCIO, 2022). The disadvantage arising from the problems related to convertibility in international financial markets is covered by the SWAP transactions of the Central Bank of China. Since SWAP transactions do not have long maturities, such as 5 to 10 years, it is possible to avoid risks such as possible extreme fluctuations and the risk of non-repayment.

One of the methods used by central banks to buy yuan is bond issues. Bonds issued in Hong Kong and other offshore locations are more laborious and costly than SWAPs. SWAP transactions with China have contributed to the wider than expected use of the yuan in international financial markets. China started implementing SWAP agreements in 2009, right after the crisis. The first SWAP agreement was made with the Central Bank of South Korea. T he People's Bank of China has concluded SWAP agreements worth 3.5 trillion yuan ($554 billion) with 41 countries (Atlantic Council, 2022).

Figure 5. Swap Cycle at the End of 2020

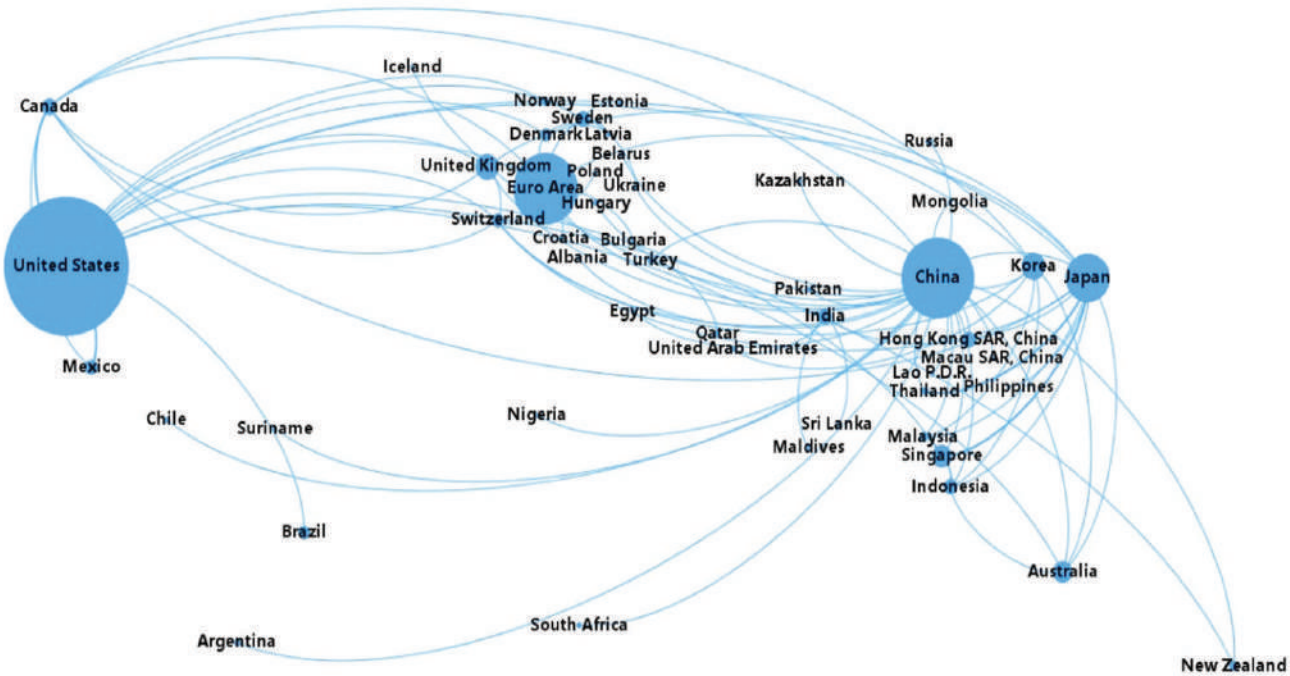


Chart showing end-2020 bilateral swap agreements
(Graph: Perks et.al., 2021).

The Quality of China's Swap Deals

Neoclassical (neoliberal) or mainstream economists have highlighted some drawbacks of the Fed's SWAPs. If SWAP agreements are extended for an unlimited amount and duration, we may observe the following problems:

1. The central bank's independent monetary policy will be jeopardized.

2. Suspicions may arise about the financial institutions of countries using SWAPs.

3. A few Western central banks will become the sole arbiters of lender of last resort on the international scale.

When we look at the characteristics of China's SWAP agreements, we see that the agreements meet certain standards. Economic, political, and institutional features play a role in these agreements. SWAP agreements are made primarily with countries that have strategic partnership agreements and free trade agreements. Factors such as the size and volume of the trade with the country with which the agreement will be made and the trade agreement affect the size and form conditions of SWAP agreements. It is observed that agreements are mostly made with a maturity of 3 years (IMF, 2021).

China's agreements with other central banks have numerous positive effects on international financial markets. Most importantly, it contributes to breaking the dominance of the US dollar. Especially in times of crisis, when countries with high US dollar debt and demand experience balance of payments problems, the demand for the US dollar increases. Since SWAP agreements made by Western central banks and institutions are insufficient in crises, SWAP agreements in national currencies relieve developing countries.

The crises that have taken place so far have shown that Western central banks and institutions (especially the IMF) solve their problems primarily in times of liquidity crises.

There is a fundamental difference between the SWAP agreements made by the Fed and those made by China and other developing countries. While the Fed makes deals to maintain and preserve the existing dollar dominance, Chinese and emerging market central banks make SWAPs to strengthen their national currencies and mutual trade relations. This is where the second important contribution of these SWAPs comes in: improving trust between central banks and enhancing the international credibility of the currency they use.

The SWAPs provided by the People's Bank of China promote trade in national currencies and finance infrastructure investments in BRI countries. In this context, SWAPs are an important source of financing for possible loan payments and postponements. SWAP agreements support China's EPC-F (engineering, procurement, construction, finance) loans with BRI countries (Silk Road Briefing, 2022).

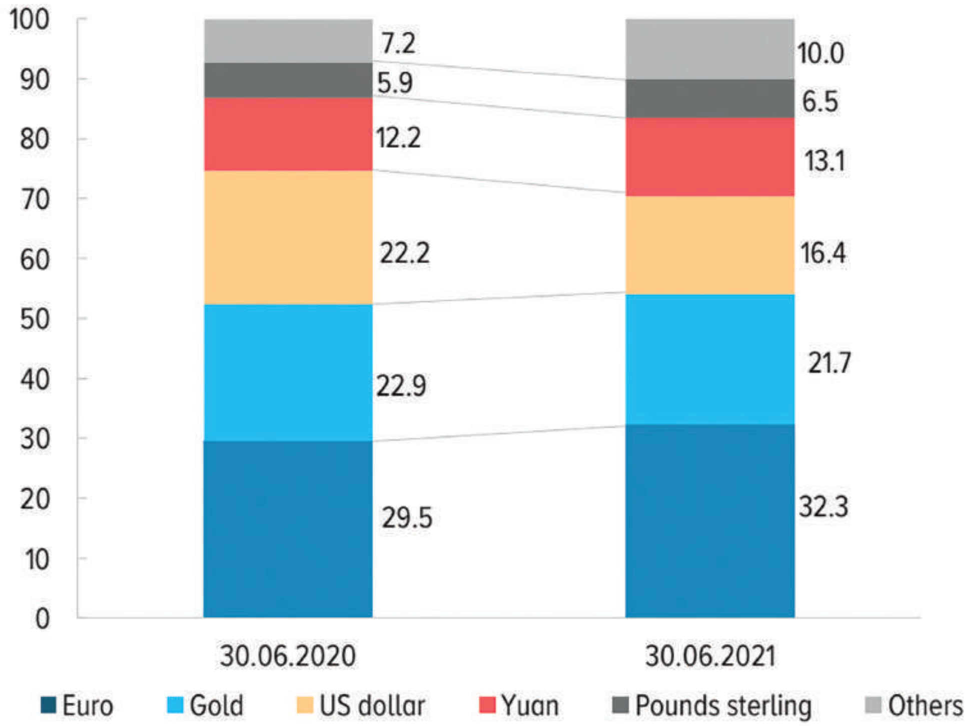
Swaps in the New Financial System

Western central banks, particularly the US, started to raise interest rates rapidly in 2022, leaving developing countries with high levels of external debt in a difficult situation. In previous years, the Fed's interest rate increases and the crises caused liquidity problems in the US dollar. SWAPs provided by the IMF and the Fed were not enough to overcome the liquidity crunch in developing countries. Therefore, countries that borrowed mainly in dollars started looking for ways to eliminate dollarization. Central banks of developing countries are reducing dollarization through SWAPs among themselves. China's SWAPs and yuan-based borrowing are another alternative for these countries. Factors such as the fact that China does not impose political conditions in SWAP and loan agreements, the absence of liquidity problems related to the yuan, and the price stability of the yuan make SWAPs with China widespread in developing countries. Another effect of this trend is to pave the way for the yuan to spread internationally. As a result, central banks are reducing the US dollars in their reserves and increasing the yuan. (Global Times, 2022).

China has proven to be a reliable partner in recent years, providing liquidity to countries in need during crises. The China-Pakistan SWAP agreement increased from 10 billion yuan (US$1.42 billion) in 2014 to 20 billion yuan (US$3.1 billion) in 2022. Similarly, Argentina increased its 70-billion-yuan SWAP agreement with China in 2009 to 130 billion yuan (USD 18.47 billion) in 2019. This SWAP agreement is still in force. China has continued to be a strong and reliable financial partner through its SWAPs and has greatly improved its trade relations with both countries (Global Times, 2021).

The new pursuits of China, some advanced economies, and the central banks of emerging

Figure 6. Distribution of foreign exchange reserves of the Bank of Russia in 2021



The chart showing the distribution of the Central Bank of Russia's foreign exchange reserves in 2021 (Graph: Bank of Russia, 2022).

economies show that the ground under the Fed's and the US dollar's feet is starting to shift. Russia's operation in Ukraine at the beginning of 2022 and the subsequent embargo imposed on Russia further accelerated this process. The West, and the US in particular, has now begun to think about preserving the system and adapting to the new system established against its will. The IMF's promotion of the SDR as the new reserve currency indicates this.

The crises that have taken place so far have shown that Western central banks and institutions (especially the IMF) solve their problems primarily in times of liquidity crises. The rest of the countries, especially developing ones, are "sacrificed" in this process. Having learned from past experiences, central banks of developing countries (and even some developed countries) have started diversifying their reserves and using SWAP agreements more frequently.

After the 2008 crisis, China-led transformation of SWAP agreements triggered similar SWAP agreements among developed and developing countries. These agreements support the exchange of deficient currencies and trade in national currencies. In the new financial system established in the coming years, this characteristic of SWAP agreements will predominate and continue to be the biggest supporter of developing countries in crises. SWAPs will be an important tool in the new financial system.

China-Russia Financial Cooperation and Yuan

At this stage, the concrete steps taken bilaterally by China and Russia parallel to the ongoing search in BRICS give hope to the world for the establishment of an alternative financial system. The joint steps started in 2015 have become largely effective after the comprehensive embargo imposed on Russia in 2022. As the cooperation channels between the two sides have further developed, significant experience has been gained in using mutual national currencies in extraordinary circumstances and other applications of the new financial system.

Demand for the yuan in the Sino-Russian clearing and settlement system is growing rapidly due to the following reasons:

1. The yuan's strength lies in its low volatility.

Exchange rate stability is one of the important factors influencing the decision to choose a payment currency. The yuan is relatively stable against the US dollar, the euro, and other major world currencies. The yuan against the ruble is more volatile than against other major currencies. Most Chinese enterprises and financial institutions are unwilling to bear the exchange rate risk caused by the volatile ruble exchange rate and prefer to use the yuan for local currency swaps. It is expected that derivatives will be used to insure foreign exchange in the coming period.

On November 22, 2010, and December 15, 2010, the ruble and yuan entered the Chinese Interbank Foreign Exchange Market and the Moscow Foreign Exchange Trade Center, opening up spot interbank foreign exchange transactions between the two countries (The Economic Times, 2010). The yuan's trading volume on the Moscow Foreign Exchange surpassed the volume of the US dollar for the first time in October 2022, reaching $1.17 billion. Before the operation in Ukraine, the average trading volume was $200 million per day (Global Times, 2022). More than 170 banks and brokerage houses are trading yuan on Russia's Moscow Stock Exchange. Bank of China, ICBC, and China Construction Bank also trade in yuan in Russian financial markets.

2. The yuan accounts for a significant portion of Russia's foreign exchange reserves and state-owned wealth funds.

In 2016, the Bank of Russia included the yuan in the country's foreign exchange reserves. In July 2021, the yuan became Russia's third largest foreign exchange reserve, accounting for 13.1% of the Bank of Russia's foreign exchange reserves. By the end of 2022, according to the decision of the Russian Ministry of Finance, the distribution of assets in the NWF's portfolio will be as follows: 60% yuan and 40% gold. As of February 1, 2023, 19.6% of the cash reserve is held in euros and 79.2% in yuan. The NWF has 557.2 tons of gold in its non-cash portfolio (Global Times, 2023a).

3. There is rapidly developing Sino-Russian trade and rising yuan demand.

Before COVID-19, China and Russia had set a goal of increasing bilateral trade volume to US$200 billion by 2024. In 2020, the bilateral trade volume between China and Russia amounted to 107.77 billion US dollars, exceeding 100 billion US dollars for the third consecutive time. In 2022, with the decline in imports from the EU after the operation in Ukraine and the redirection to China, the trade volume between China and Russia reached 195 billion dollars. With the increasing trade volume, Russian President

In 2015, 90 percent of Sino-Russiantrade was conducted in US dollars, while in 2022, it had fallen to 30 percent (Photo: CGTN, 2023).

Vladimir Putin announced that the new bilateral trade target was renewed to 250 billion dollars. In 2020, Sino-Russian trade and economic cooperation withstood the pandemic and showed strong resilience, strengthening the foundations of cooperation between the two sides. China's share in Russia's foreign trade has increased, steadily becoming Russia's largest trading partner for the 13th consecutive year (Reuters, 2023).

In addition to the traditional energy and mining sectors, which still have great potential for cooperation, agriculture, investment, contracting, and science and technology cooperations are developing rapidly. Cooperation in science and technology innovation has deepened comprehensively: the Sino-Russian Joint Science and Technology Innovation Fund, totaling USD 1 billion, has been put into operation, and the two sides have made positive progress in cooperation in emerging high-tech fields such as 5G and cloud services (Russia Briefing, 2019).

Developing Sino-Russian economic and trade cooperation has led to a major improvement in Sino-Russian payment and settlement transactions. In 2015, 90 percent of Sino-Russian trade was conducted in US dollars, while in 2022, before the operation, it had fallen to 30 percent. These data show that Russia and China are steadily reducing "dollarization" (Global Times, 2023b).

4. Demand for Chinese yuan-based investments is growing in Russia.

Due to Western economic sanctions, Russian companies cannot obtain financing from the West. China has become a key country for international financing in Russia, and the scale of yuan financing to Russia is expanding.

5. There is significant progress in using national currencies in Russia and China.

In 2017, ICBC launched yuan clearing bank operations in Moscow. Several Russian banks have joined the Yuan Cross-Border Payment System (CIPS) launched by the People's Bank of China (SWIFT, 2017). Russian and Chinese gas, oil, and gold transactions can be settled in yuan as the settlement currency.

Digital currencies can accelerate the settlement of national currencies, provide a partial replacement for SWIFT, and enable the globalization of payment systems.

In 2014, at the 16th meeting of the China-Russia Subcommittee on Financial Cooperation, it was decided that the yuan would be paid for by matching ruble transactions to implement the proposed "One Belt, One Road" strategy. The Committee formally established the mechanism of simultaneous settlement of the yuan into foreign currencies, thereby eliminating settlement risks arising from the time difference between the two currencies in the settlement of foreign exchange transactions and improving the timeliness of funds flows in the national currency between Russia and China (Bank of Russia, 2014).

Chinese and Russian financial institutions are strengthening cooperation in issuing and accepting UnionPay cards. In 2009, the Agricultural Bank of China cooperated with the Russian side to issue a debit card that allows users to withdraw cash in yuan and rubles from Russian ATMs. In 2014, China UnionPay cooperated with the Russian side to issue ruble and yuan UnionPay cards. By the end of April 2019, Russian card issuers had issued more than 2.5 million UnionPay cards. More than 100,000 ATMs of major banks, such as Sberbank and VTB Bank, can accept UnionPay cards (Yurou, 2019).

Technological Dimension of China-Russian Financial Cooperation

The China Foreign Exchange Trade System (CFETS) has established a new payment system (PVP) for the settlement of roubles and yuan, which reduces settlement risks and the risk of trading in different time zones and improves foreign exchange efficiency (CFETS, 2010). This system allows China and Russia to avoid using SWIFT, ensure privacy of information, and, as a result, avoid US financial sanctions when trading in national currencies between China and Russia.

Harbin Bank's practices have been good examples of Sino-Russian cross-border e-commerce online platform practices. With the China-Russia cross-border e-commerce online payment platform, the bank has established a simple and efficient integrated online gateway system and multi-channel platform to solve the difficult, protracted, and costly problems of exports (Shen & Westbrook, 2023). The Harbin Bank example is expected to extend to other Chinese and Russian banks.

The rapid development of digital technology opens up alternative channels. Digital currencies can accelerate the settlement of national currencies, provide a partial replacement for SWIFT, and enable the globalization of payment systems. China's advanced stage in implementing CBDCs (central bank digital currency) provides an important advantage for further Sino-Russian financial cooperation. China and Russia have a broad field of cooperation in researching and implementing digital currencies.

Blockchain technology is already used in finance, lending, smart manufacturing, and logistics in China. According to CAICT (China Academy of Information and Communications Technology) data, there are around 1,400 blockchain companies in China. According to MIIT (China's Ministry of Industry and Information Technology), approximately 84 percent of global blockchain patents belong to companies in China. China and other countries accelerate research on decentralized systems based on blockchain technology, which could be an alternative to SWIFT. Compared to centralized systems such as SWIFT, decentralized blockchain systems can increase the pace of real-time transactions and avoid third-party interception of international payments (CAICT, 2022).

Suggestions for Deepening China-Russia Financial Cooperation

The success of the Sino-Russian experience is crucial for establishing the new financial system. The Sino-Russian clearing and settlement systems' efforts to reduce dollarisation and promote the use of the yuan and the ruble are a move to enhance the security and facilitation of bilateral trade and economic cooperation between China and Russia. The cooperation is also important for encouraging and developing the internationalization of the ruble and yuan. The internationalization of national currencies, such as the ruble and the yuan, will be a factor in developing an alternative reserve currency and realizing an alternative, such as the 5Rs, in a shorter period. We can summarise the problems encountered in the financial cooperation that has intensified since the early 2010s and the solution recommendations under the following headings:

1. The strengthening of alternative payment channels should be accelerated.

The integration and development of SPFS, CIPS, and PVP should be accelerated. The integration of SPFS and CIPS should be continuously updated and improved in prevalence and efficiency. These systems are still the strongest alternative payment systems to SWIFT.

2. Sino-Russian financial cooperation should be expanded geographically.

It is expected that China will expand its commercial activities inside Russia, and Russia will expand its commercial activities inside China. Currently, both sides' direct investment and commercial activities are concentrated at the borders and are not widespread in big cities. Sino-Russian commercial activities, which are stuck in the borders, need to move to big cities on a larger scale. The status of Hong Kong is an important candidate for this process. Regional Chinese banks are suitable for financing and financial infrastructure of border trade. In Russia, Russian banks should be encouraged to increase the number of corresponding bank accounts, expand the geographical coverage of corresponding bank accounts, encourage Chinese banks to open additional offices, and focus on planning settlements in regions where more Chinese enterprises are investing.

3. The Sino-Russian governments should deepen their cooperation.

To take more rapid steps to overcome the practical problems in the merger of CIPS and SPFS, technological compatibility, and problems related to settlement services, both countries should implement incentive policies and make arrangements to overcome bureaucratic obstacles encountered in implementation. Mutual acquisitions or mergers of financial institutions and companies may also be encouraged. Another dimension of the work is accelerating the digitalization processes of these companies and harmonizing the digital platforms of both sides.

4. Commercial bank cooperation should be deepened.

The commercial banks of both countries should strengthen investment and financing cooperation, promote new cooperation models such as private investment funds and investment-credit links, and establish comprehensive corresponding bank relationships. More efforts should be made to resolve technical problems encountered in trade in national currencies. More emphasis should be placed on the diversification of the products provided by banks and the development of new products in line with financial cooperation. The use of new instruments such as letters of indemnity, bank cards, and foreign trade factoring should be strengthened. Using China UnionPay cards in Russia and MIR cards in China should be encouraged. Infrastructure should be developed for the use of these cards in commercial transactions.

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POEM

MAHMOUD DARWISH*

**Mahmoud Darwish (Al-Birveh, Houston; 1941–2008) is a Palestinian poet of great renown. The poet, who was exposed to Arabic language and culture growing up, uses poetry to portray the Palestinian resistance movements. In 1948, when he was a child, the village where he was born was occupied and destroyed by Israeli forces. Darwish, who had to migrate to Lebanon with his family, returned a year later. But destroy the village. Despite great pain and deprivation, he begins to produce works that will make him one of the most well-known poets in the world. Dervish, who was exiled from Israel in 1970, had to travel around many Arab countries. He wrote the Beirut Ode after the massacre in Sabra and Shatilla in September 1982. He won the Lenin Prize in the Soviet Union in 1984 with this poem. The poet, who was arrested and imprisoned many times for his poems and articles, wrote many works expressing the human drama and love of the homeland. Many of his poems were made into songs by famous composers. The poet is also the songwriter of the Palestinian national anthem, Nasheed al-Intifada. Darwish, who won the International Nazım Hikmet Award in 2002, also has many international awards. To perpetuate the memory of the famous poet, there is the Mahmoud Darwish Museum, which operates as a cultural complex in the Al-Masyun area of Ramallah city.*

Darwish, M. (1980). Identity Card (translated by Denys Johnson Davies). *The Music of Human Flesh:* 10-12.

How to cite: Darwish, M. (2023). Identity Card (translated by Denys Jhonson Davies). *BRIQ Belt & Road Initiative Quarterly, 5*(1), 86-87.

Identity Card

Put it on record.
I am an Arab
And the number of my card is fifty thousand
I have eight children
And the ninth is due after summer.
What's there to be angry about?

Put it on record.
I am an Arab
Working with comrades of toil in a quarry.
I have eight children
For them I wrest the loaf of bread,
The clothes and exercise books
From the rocks
And beg for no alms at your door,
Lower not myself at your doorstep.
What's there to be angry about?

Put it on record.
I am an Arab.
I am a name without a title,
Patient in a country where everything
Lives in a whirlpool of anger.
My roots
Took hold before the birth of time
Before the burgeoning of the ages,
Before cypress and olive trees,
Before the proliferation of weeds.
My father is from the family of the plough
Not from highborn nobles.
And my grandfather was a peasant
Without line or genealogy.
My house is a watchman's hut
Made of sticks and reeds.
Does my status satisfy you?
I am a name without a surname.

Put it on record.
I am an Arab.
Colour of hair: jet black.
Colour of eyes: brown.
My distinguishing features:
On my head the `iqal cords over a keffiyeh
Scratching him who touches it.
My address:
I'm from a village, remote, forgotten,
Its streets without name
And all its men in the fields and quarry.
What's there to be angry about?

Put it on record.
I am an Arab.
You stole my forefathers' vineyards
And land I used to till,
I and all my children,
And you left us and all my grandchildren
Nothing but these rocks.
Will your government be taking them too
As is being said?

So!
Put it on record at the top of page one:
I don't hate people,
I trespass on no one's property.
And yet, if I were to become hungry
I shall eat the flesh of my usurper.
Beware, beware of my hunger
And of my anger!

POEM

NAZIM HİKMET*

**Nâzım Hikmet (1902 Thessaloniki, 1963 Moscow) is one of the world's most recognized poets. His poems have been translated into more than fifty languages, and his works have received many awards. He is the most important pioneer of modern Turkish poetry. During the War of Independence phase of the Turkish Revolution (1921), he traveled to Ankara with his friend Vâlâ Nureddin and met the leader of the revolution, Mustafa Kemal Atatürk. Later, the young poet went to Moscow, where he studied at the Eastern Workers Communist University. When he returned to Türkiye, he published 835 lines, a groundbreaking book in Turkish poetry. The book had great resonance. A member of the Communist Party of Türkiye, the poet was put on trial several times. He was sentenced to 28 years and 4 months in prison. He was kept in prison for 13 years. He wrote many of his works in prison. He was released under the amnesty law. Nazım Hikmet's masterpieces include the Epic of Kuvayi Milliye, Memleketimden İnsan Manzaraları, Şeyh Bedreddin Destanı, Jakond ile Si-Ya-U, and Letters to Taranta Babu. The poet died in Moscow, and his grave is in Novodevichy Cemetery.*

Hikmet, N. (2013). To Asian-African Writers (Translated by Furkan Çirkin). Bütün Eserleri Son Şiirleri, (p. 1795). İstanbul: YKY.

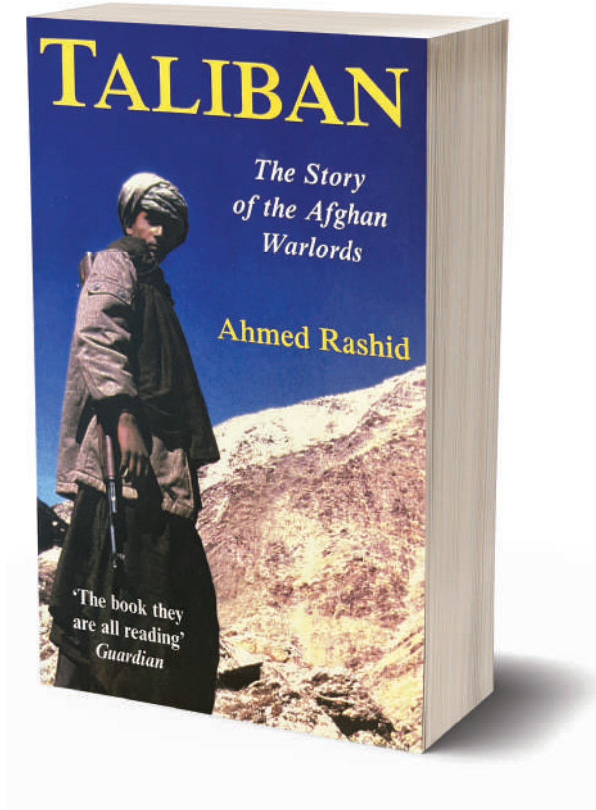
How to cite: Hikmet, N. (2023). To Asian-African Writers (Translated by Furkan Çirkin). *BRIQ Belt & Road Initiative Quarterly, 5*(1), 88-89.

To Asian-African Writers

My sisters and brothers;
never mind my blonde hair,
I'm Asian.
never mind my blue eyes,
I'm African.
the trees in my place don't make a shadow on themselves,
                    just like in your places.
in my place, the bread is in the lion's mouth,
money doesn't grow on trees there,
          and my people pass away before age fifty
                    just like in your places.
never mind my blonde hair,
I'm Asian.
never mind my blue eyes,
I'm African.
the eighty percent of my people are illiterate,
our poems spread by word-of-mouth and they turn into a folk song.
in my place, poems can be a symbol like a flag,
                    just like in your places.
my sisters and brothers;
our poems should be able to plow the field
with a weak ox,
they should be able to get into the swamp in the rice fields
                    up to knees,
they should be able to ask all the questions,
should be able to collect all the lights,
should be able to stand at the roadsides
          just like milestones.
they should be able to notice the approaching enemy before everyone.
they should be able to beat the tom-toms in the jungle
and until there are no more slaves, occupied lands left on the earth,
until there are no more atomic clouds left in the sky.
our poems should be able to give their property, minds, ideas, lives,
and everything they have
                    to great freedom.

(22 January 1962, Moscow)

Taliban: The Story of the Afghan Warlords



RASHID, A. (2001).

Taliban: The Story of the Afghan Warlords,
Pan MacMillan.

AMIT KUMAR**
Birla Institute of Technology and Science, Pilani, India.

DR. VEENA RAMACHANDRAN***
Birla Institute of Technology and Science, Pilani, India.

TALIBAN: THE STORY OF THE AFGHAN Warlords is a comprehensive examination of the rise of the Taliban movement in Afghanistan and the impact it has had on the country and the region. The book, written by Ahmed Rashid, offers a thorough explanation of the historical, political, and cultural causes that contributed to the development of the Taliban and the events that occurred after its ascent to power. The book acquired recognition after the 9/11 attacks. The significance of this book may be appreciated from a Guardian article that claims Tony Blair's plans for Afghanistan after the Taliban were greatly inspired by it. Alastair Campbell, Downing Street Director of Communications and Strategy, and Anji Hunter, Personal Assistant to the Prime Minister, were also counselled to read before planning an expedition in Afghanistan.

* Amit Kumar is a PhD candidate at Birla Institute of Technology and Science, Pilani, India.

** Dr. Veena Ramachandran is an Assistant Professor at Birla Institute of Technology and Science, Pilani, India. She is Amit Kumar's Ph.D. supervisor.

How to cite: Kumar, A. Ramachandran, V. (2023). Taliban: The Story of the Afghan Warlords. [Review of the book *Taliban: The Story of the Afghan Warlords*, Rashid, A.] *BRIQ Belt & Road Initiative, 5*(1), 90-92.

Although the book was first published in 2001, it offers valuable insights into the origins and ideologies of the Taliban. By examining the group's roots, the book helps readers grasp the factors that have sustained the Taliban's influence and resilience over the years, even beyond the initial publication date. It explores the complex relationships between Afghan warlords, regional powers, and international actors. This context is crucial for understanding the ongoing conflict in Afghanistan and its implications.

Rashid's ability to link the emergence of the Taliban to the larger context of the region and the world is one of Taliban: The Story of the Afghan Warlord's strong points.

The importance of reviewing books like "Taliban: The Story of the Afghan Warlords" lies in its ability to contribute to public discourse and awareness. Reviews evaluate the book's content, helping potential readers determine its value and relevance. Additionally, reviews facilitate conversations and debates around the issues the book addresses, allowing for a deeper understanding of the Taliban since its inception.

The Taliban were first identified in the book's introduction as a small group of religious students in the southern region of Kandahar. Rashid recounts how the Taliban were first viewed as a good force that would provide stability to a nation that had been destroyed by years of civil strife. Nevertheless, as the Taliban grew in strength, it became evident that their goals were far more sinister and that their tyrannical regime posed a threat not just to Afghanistan but also to the stability of the whole region. Rashid's vivid account of the events is seen by how meticulously he discusses each significant province that the Taliban captured, starting with the consolidation of Kandahar and moving on to the takeover of Herat in 1995, then Kabul in 1996, Mazar-e-Sharif in 1997, and finally Bamiyan in 1998-99.

Rashid's ability to link the emergence of the Taliban to the larger context of the region and the world is one of Taliban: The Story of the Afghan Warlord's strong points. He demonstrates how the continuous conflict in the Middle East had an impact on the Taliban's beliefs and strategies, and how the assistance it gained from nearby nations like Pakistan helped it gain power. The theology of Islam practised by the Taliban has been greatly influenced by Pakistan. Although the Taliban practice an extreme version of Islam, Pashtun tribal values are clearly present. The integration of Afghan refugees into Jamiat-e Ulema-i Islam-run madrassas in Pakistan gives this blending of Islamic principles and Pashtun tribal beliefs a distinctive twist.

As a result, neither the modern Deobandi Sheikhs nor the practical customs of everyday Afghan rural life support the Islam of the Taliban. This clarifies how the Taliban could carry out actions that now would be unimaginable, such as beating women in the streets and stoning them to death for adultery, among other things. Rashid does not hold back in bringing up the numerous crimes against humanity done by the Taliban government, such as the pervasive repression of women's rights, rape, kidnapping, and disappearance of children. He continues by explaining how, while heroin temporarily supports the Taliban's economy, it eventually kills its own citizens and causes drug addiction in the Afghan culture.

Rashid also offers a thorough account of the role that the international community, especially the United States and its allies, played in the formation of the Taliban and the subsequent events. Rashid describes the Taliban's military and political structure as being exceedingly mysterious and enigmatic. The decision-making process, in his opinion, is highly covert. He also talks about how the Taliban's little knowledge of foreign affairs and commerce made it impossible for them to reach agreements with significant oil companies like UNOCAL and Delta Oil. The likelihood of building oil and gas pipelines was further diminished by the lack of a united military organization for improved security infrastructure.

Rashid's examination of the connections between the Taliban, Al-Qaeda, and other global extremist organizations is one of the book's most remarkable features. He demonstrates how the Taliban's strong associations with these organizations have made it a target for the international community and how its ongoing support for these organizations has rendered it a danger to world security. He also makes it abundantly evident that the Taliban is not a singular organization and that its leaders and participants are a heterogeneous bunch with a range of reasons and viewpoints.

With the United States withdrawing its boots from Afghan Soil and Taliban capturing back Kabul in August 2021, this book is crucial for comparing the present events surrounding the Taliban and its strategy for coping with its legitimacy issue with that of its initial ascent and conquest of Kabul in September 1996. With Afghanistan completing one big circle, today it stands where it stood 20 years back. However, this time evidently they seem to be different than earlier in many aspects of Afghan management. This book brings life to the events surrounding Taliban. Afghanistan has now come full circle, standing where it did 20 years ago. Nonetheless, it appears that this time they have changed significantly from previously in many elements of administering a government. The events surrounding Taliban are brought to life in this novel.

Rashid writes with clarity, succinctness, and interest, and his analysis is perceptive and thought-provoking. The book offers a thorough description of the circumstances surrounding the Taliban's ascent to power, their brief administration of Afghan affairs, and the influence they have had on the region, making it an invaluable resource to gain a deeper understanding of this complex and challenging issue. This book is a must-read for anybody interested in this significant problem, whether they are students, professionals, or just general readers.

LIVE JOURNAL

Palestine (1947)*

An eight-year-old Arab boy defends the entrance to Jerusalem's Old City with his older brother and friends.

*[Photograph]. (1947). Palestine in 1947 *Live Journal* (https://humus.livejournal.com).

PAINTING

HEBA ZAGOUT

Jarusalem (2023)*

Palestinian artist, Heba Zaqout, was born, studied and lived in Gaza. And Heba Zagout was martyred along with her children in latest Israel's assault against Gaza. In her paintings she depicted mostly Palestinian houses, minarets, domes and churches to emphasize the Palestinian identity and Palestinian existence. Zaqout's unique style and riot of colours are immediately evident in her paintings, where ethnic elements stand out. Her devotion to her hometown and country is like the starting point of her paintings.

*80x60cm, Acrylic on canvas.

How to cite: [Heba Zagout]. (2023). Jarusalem. *BRIQ Belt & Road Initiative Quarterly, 5*(1), 94.

CARTOON

NAJI AL-ALI

Through the Eyes of a Palestinian Refugee*

Naji Al-Ali was one of the most prominent cartoonists in the Arab world. In Ash Shajara, a village in Palestine, he was born in 1936. In 1948, Ash Shajara was one of the 480 villages destroyed in what is known as the "Nakba," or catastrophe. Naji Al-Ali was 10 years old when he and his family were expelled from Palestine to the Ein Al-Hilweh refugee camp in Lebanon. With brutal honesty, Naji Al-Ali analyzed the relationships between the governments of the United States, Israel and the Arab regimes and the ramifications for the Palestinians. Time Magazine described him saying, "This man draws with human bones." On July 22, 1987, in London, Naji Al-Ali was assassinated as he walked towards the offices of Al-Qabas newspaper. He died in the hospital on August 29th. His murderer has never been apprehended.

*[Cartoon of Naji Al-Ali]. (2023). Through the Eyes of a Palestinian Refugee. Retrieved November 9, 2023 from http://handala.org/cartoons/cartoon-gallery/israel/index.html

How to cite: [Cartoon of Naji Al-Ali]. (2023). Through the Eyes of a Palestinian Refugee. *BRIQ Belt & Road Initiative Quarterly, 5*(1), 95.