The Erosion of Monetary Hegemony: De-dollarization, Pace of Change, and the Multi-polar Financial Future

Chanakya warned centuries ago, "the treasury is the root of sovereignty, and its exhaustion brings ruin to the state" — a lesson the U.S., with its mounting deficits and debt pile, would do well to remember.

Power and money are joined at the hip! So in order to understand the US$ reserve currency status and de-dollarisation trend, we will briefly study how US became a global power and how it leveraged its reserve currency status over the years to its advantage.

1945 – 1971: The early years

USA rose like a phoenix from the ashes of World War I and World War II.

Great Britain, which was a net creditor to the world at the start of WWI became a debtor nation at the end of it, with its debt to GDP at 180%. By WWII, it was almost bankrupt with 250% debt to GDP ratio with monies owed not only to US & Canada but also to its colonies like India (for provision of services).

By contrast, US emerged as a super power (both militarily and economically) during this 30 year period. By 1945, US had 50% share of global economy and held 2/3rds of global gold reserves. After WWII, at the Bretton Woods conference (attended by 44 nations to create a new world order), the dollar was crowned the world's primary "reserve currency" with USD backed by gold at $35 per ounce for foreign governments.

Between 1945 and 1970, US was directly involved in the Korean war (1950-53), North Vietnam war (1960 -73), Dominican Republic (1965) and is known or believed to have been involved in the following regime changes: Iran (1953), Guatemala (1954), Congo (1960-65), Brazil (1964), Chile (1964-70) and smaller scale interventions in Philippines, Laos, Indonesia and Cuba. These geopolitical moves, one can argue with a strong conviction, were only meant to solidify US hegemony and was backed by the privilege of US$ as a reserve currency.

To finance these wars and military or covert interventions, US Government printed US$ way beyond the peg to gold would allow. This money printing, made other nations nervous about the value of their US$ reserves and availability of gold held with US Government. In 1930s, US devalued the peg to gold by almost 41%. No wonder many countries, specifically France, collected their gold pre-I971.

Due to severe pressure from foreign creditors to convert their US$ holdings to gold and repatriate the same, US government under President Nixon did what some would say "was unthinkable". On August 15, 1971, President Nixon announced that US$ was no longer backed by gold and US Government would not honour its commitment under Bretton Woods agreement to sovereign governments.

Few things become evident about the US during this initial 25 year period of US$ becoming a reserve currency, that it abused the reserve currency privilege with wide spread impunity and it walked out of its commitment to other sovereign nations when the agreement no longer suited it (after it had consolidated its global power and influence).

Post 1971 and pre-Unipolar moment

In 1973, US played a deft hand. It entered into a long term agreement with KSA in 1974, such that in return for providing the Saudi monarchy security guarantees and military protection to gulf countries, they will price all their oil exports in US$. KSA was one of the largest producers of oil and had enough influence within OPEC as well. That led to the creation of the "Petrodollar", leading to structural demand for US$ by every country in the world. Soon most global commodities were priced in US$, further strengthening the US$ pole position in global trade.

Developing nations that didn't have enough exports i.e. US$, had to borrow heavily from IMF and World Bank (west led financial institutions), subjecting themselves to stringent conditions that aligned their future to US led geopolitical and economic system.

However, the de-pegging of the US$ from gold, led to devaluation of the US$, resulting in high inflation in US and repricing of global trade. Further, oil shock in 1973 due to the Yum Kippur war, the 1979 Iranian revolution and lose Fed monetary policies led to sustained "great inflation" in US in 1970s. This prompted the, then Fed chair Paul Volcker to significantly increase Fed rate of interest from 11.2% in 1979 to 20% in June 1980.

These high interest rates, broke the backs of many indebted nations that had borrowed in US$. One after another many countries in Latam and Asia defaulted on their debts in early to mid 1980s.

1973 also saw the creation of the SWIFT system, that was set up as a cooperative in Brussels, further improving the secure messaging for global currency flows. While set up as a cooperative in a "neutral" country and adopted by more than 11500 financial institutions of 200 countries, the organisation responds swiftly to the US sanction demands.

During this 20 year period, US was directly or indirectly involved in wars or regime changes in Vietnam, Laos, Cambodia, Chile, Lebanon, Iran, Afghanistan, El-Salvador, Nicaragua, Grenada, Libya, Panama and Persian Gulf war.

The biggest victory for US came with the collapse of USSR in 1991. A combination of military outspending, drawing China away from USSR, global diplomatic isolation, socialist economy, media narratives and artificial reduction in global oil prices led to unrest and finally break up of the USSR.

1991 Christmas, brought the best gift for the US: a complete domination of the world in ideology, technology, economic and military.

1992 – 2007: Create a world in its own image

In the cold mornings of January 1992, US must have looked at the world as its unobstructed playground.

In trade, US pushed the globalisation and free trade agenda, making supply chains seamless, structurally lowering inflation and interest rates. It signed NAFTA with Canada & Mexico (tying their economic and security future to US) in 1994 and introduced World Trade Organisation (WTO) in 1995, hitching rest of the world to US & its' allies economies. A strong USD (due to global demand) and lower tariffs, pushed America higher up in value chain by outsourcing manufacturing and labour intensive jobs to China and other southeast Asian nations and it focussing on technology, branding and IP creation. 1990s saw the birth of the internet economy, further integrating the global economy where distances no longer mattered. American capital markets (equity and bond) attracted foreign capital like never before.

This period saw US led NATO forces get involved in a direct war in Yugoslavia in 1995 and 1999. In 1998, US bombed Iraq for not allowing UN inspectors and again in 2003 under the guise of Iraq holding chemical weapons that could be used against US and its allies (which were never found but nevertheless the war led to the deaths of more than 600,000 civilians). In 2001, in response to the September 11, 2001 attacks, US attacked Afghanistan to finish Taliban and Al-Qaida. A US Department of Defence study conducted in 2022, estimated that the wars in Afghanistan, Iraq and Syria cost US government about $1.6t between 2001 and 2021. A Harvard University study estimates the cost to US to be between $4t and $6t. This period also saw eastward expansion of NATO bringing ex-soviet bloc countries like Poland, Hungary, Czech Republic, Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia into NATO forever changing the security structure of Europe, much to the chagrin of Russia.

Spreading its financial tentacles, the trend toward deregulation in the financial sector culminated in the repeal of the Glass-Steagall Act in 1999, which had separated commercial and investment banking. This, combined with the rise of complex financial instruments like Credit Default Swaps (CDS) and an expanding subprime mortgage market, fuelled rapid growth in the financial sector and increased the global interconnectedness of U.S. finance. This laid the groundwork for the 2007-2008 financial crisis, beginning with the bursting of the U.S. housing bubble in 2007.

By the end of this 17-18 year period, US had integrated majority of the global economy into its economic policies, expanded NATO almost to the borders of present day Russia, run trade deficits with almost every major country in the world, spread toxic financial investments in the name of innovation in finance to rest of the world and spent massive amounts on 2 very expensive wars.

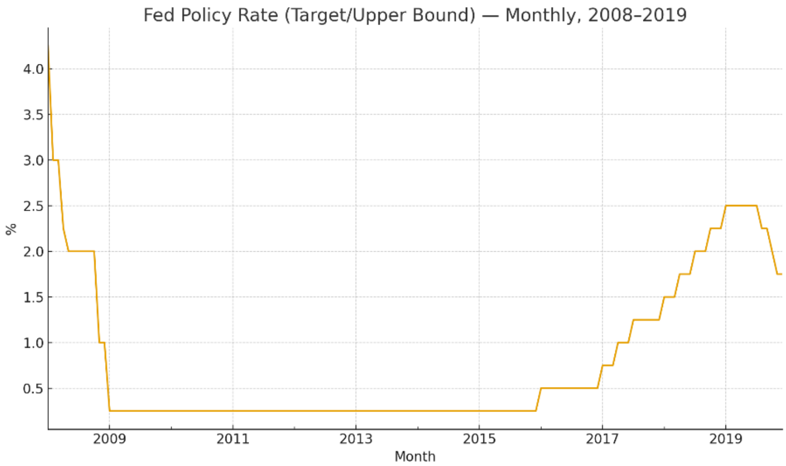
2008 – 2019: Testing the limits of contemporary monetary system

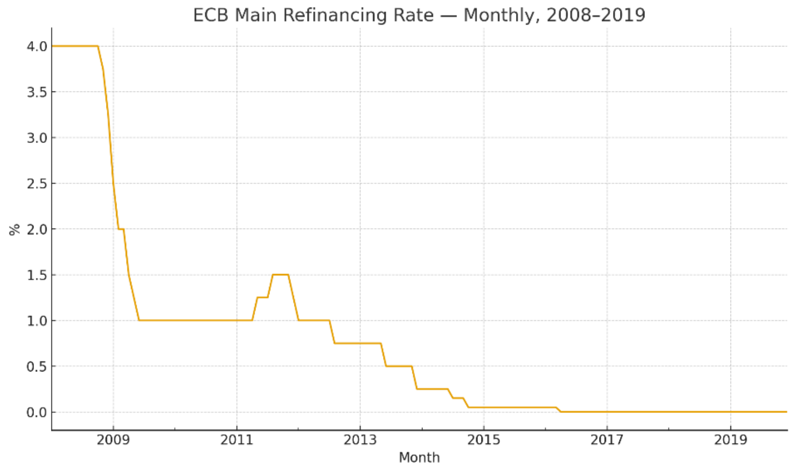
Year 2007-08 saw the great financial crisis. With its roots in dubious financial product innovations in the US, it bankrupted many nations and global financial institutions, leading to widespread unemployment, recession and capital destruction.

US Fed responded by flooding the global financial system with new US$. Between 2008 and 2014, Fed balance sheet expanded from $0.9t to $4.5t i.e. it created 4x new money during this period, though it "tightened" part of it to $3.9t by 2019 i.e. a net new money creation of $3t during this period. Fed balance sheet as percentage of US GDP increased from 6% to 18%.

Simultaneously, the US Government added $13t of new debt during this period, to stimulate its economy and finance its budget deficit that had become a persistent feature from 1970s. US Debt to GDP ratio increased from 68% in 2008 to 106% in 2019. Versus new debt addition of $13t, US GDP grew by $7t approximately i.e. for each additional US$ growth in US GDP, required $1.9 of debt. Of-course, in case of US, this metric and direct correlation doesn't work as US spends a lot of money on direct and indirect wars across the globe and maintaining its 800 odd military outposts, that don't add to its GDP directly.

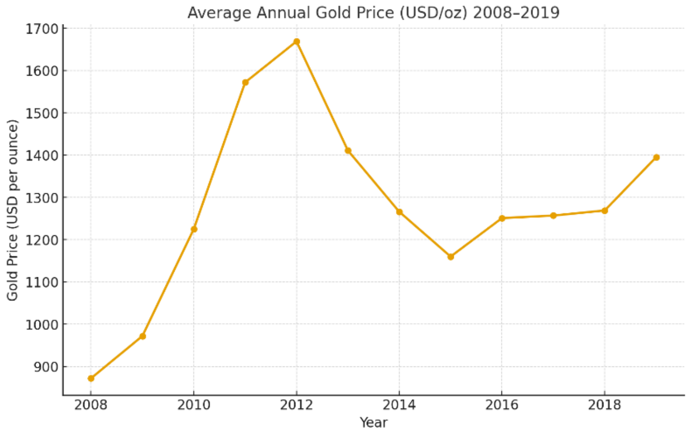
During this period, US continued its direct wars in Iraq, Afghanistan, Syria and entered into new one in Libya. It had known military interventions in Yemen, Somalia, Niger and many other central African countries.





Both the Fed and the European Central Bank, pursued lose monetary policy during this period to revive the US and EU economies. In addition to the QE we mentioned earlier, the interest rates were dropped to and maintained at near zero for much of this 10 year period.

This was the period when lose central bank policies across the world, led by FED and ECB, were widely criticised and questioned as being inflationary. Never before, had the world seen such low interest rates. ECB and Swiss Central Bank had negative interest rates on deposits to prevent their currencies from appreciating and maintain export competitiveness.



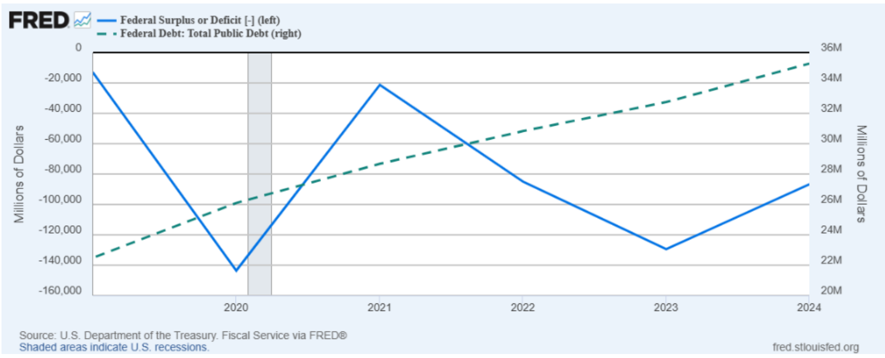
Gold sensing higher inflation environment due to easy money policies, immediately moved higher from $700/oz to $1900/oz within 3 years, an increase of 2.5x or 250% approximately. Though, inflation stayed in check due to lower economic activity.

This 10 year period was about experimenting with the limits of contemporary monetary systems and it also embedded a perverse incentive in the financial markets that whenever central banks would raise interest rates in response to a robust economic growth or inflationary fears, the equity markets would throw tantrums. The global financial crisis also hurt the global perception of the US open market and capitalist model. It made other countries, their central banks and citizens wary of American economic model and how it can hurt them, if adequate safeguards aren't built in time.

2020 – till date: Testing the limits of Fiat currency and weaponisation of the US$

Approximately, 100 years after the Spanish flu, 2020 – 2021 saw world economy and life of common man get disrupted like never before in recent memory. The world economy was upended with lock downs and complete shut down of global trade and international travel. While the world grappled with the pandemic and its cure, we witnessed another surprise viz, negative price for Oil. As producers continued to pump oil off the ground and no demand due to lock downs everywhere, storage facilities were full, leading to WTI price dropping to -$37.6 per barrel on April 20, 2020.

Global economy shrunk and governments across the world responded with fiscal stimulus and central banks chipped with lose monetary policies. Unlike many countries that focused on supply side initiatives, lower interest rates and other measures, US went one step ahead and sent cheques to US citizens to assist them financially. Fed cut interest rates down to near zero, opened unlimited QE (starting with a $700b), reviving many GFC period lending & liquidity policies and expanded US$ swap lines for foreign central banks. Fed balance sheet expanded from $3.9t at the end of 2019 to $8.9t by 2022. As of August 2025, Fed balance sheet is at $6.6t. US Government passed multiple stimulus packages, the largest being the CARES Act (March 2020) a $2.2 trillion package, including: Direct payments ("stimulus checks") to individuals



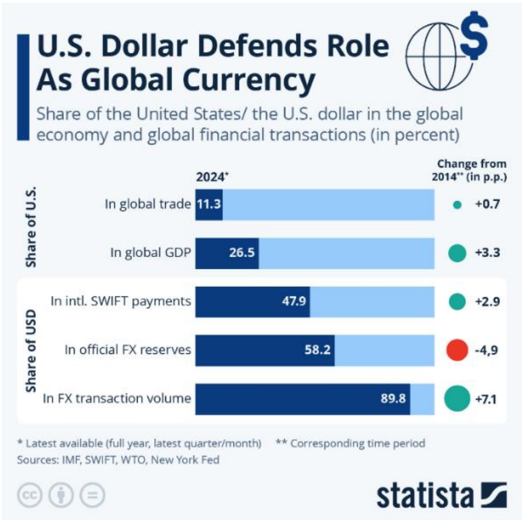
($1,200/adult initially), Expanded unemployment benefits (extra $600/week), Paycheck Protection Program (PPP) loans to small businesses (forgivable if used for payroll), Industry bailouts, e.g., airlines and Health care funding for hospitals, testing, vaccine development (Operation Warp Speed). Many other follow-on packages were announced viz. Paycheck Protection Program and Health Care Enhancement Act (~$484B), Consolidated Appropriations Act (Dec 2020, ~$900B) and later in 2021, the American Rescue Plan (~$1.9T). The graph above shows how US government debt skyrocketed from about $22t to about $35t in short period of 5 years, taking it to 125% of GDP.

In February 2022, Russia attacked Ukraine (allegedly in response to its potential move to become part of NATO) sending shock waves across the world due to potential ramifications on commodity prices, inflation and potential for direct confrontation with NATO. In response, US and other G7 nations, froze Russian foreign exchange reserves of $300b, weaponizing the US$ against a large country. Prior to 2022, US and its allies had taken similar actions of freezing assets of many other countries like Iran, Iraq, Syria, Libya, Sudan, Venezuela, etc. However, wary of duplicity of American foreign policy over decades, abuse of reserve currency privilege in various forms, US contracted lab leak theory in COVID, GFC, left-libertarian values and many other reasons led other countries to sit up and evaluate alternatives. As one official from an Asian central bank anonymously told Reuters, the move transformed a "tail risk" into a "real risk," forcing a global rethink of sovereign risk management.

America's own last few elections have brought to the fore, its polarised society that has not set a good example in front of the world. Donald Trump's win in 2024 elections and subsequent rhetoric and bullying of its allies and trading partners alike hasn't gone down well with world. Never before have common citizens taken so much interest in what President of US had to say on a daily basis. Unilateral tariff imposition, brazen disrespect of sovereign leaders, running foreign policy via social media, flip-flops on policy and chasing a nobel, have all antagonised billions of people around the world. In a spring survey of 24 countries by Pew research, US President Donald Trump was viewed negatively in 19 countries. According to the research "*Majorities in most countries also express little or no confidence in Trump's ability to handle specific issues…*" and "*When asked about Trump's personal characteristics, most describe him as arrogant and dangerous, while relatively few see him as honest..*". These sentiments will reflect in their government foreign policies and relationships with US in future.

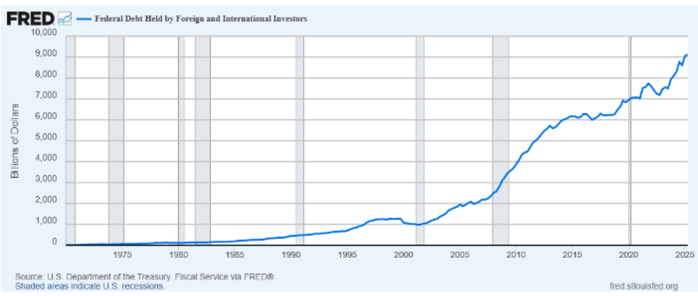
US$ as the reserve currency

"The dollar is to international finance what the English language is to international communication" per a Chatam House article on US$. This statement aptly summarises the strength and importance of US$ to the world. Chart (courtesy statista) below summarises the same in terms of global trade and forex reserves.

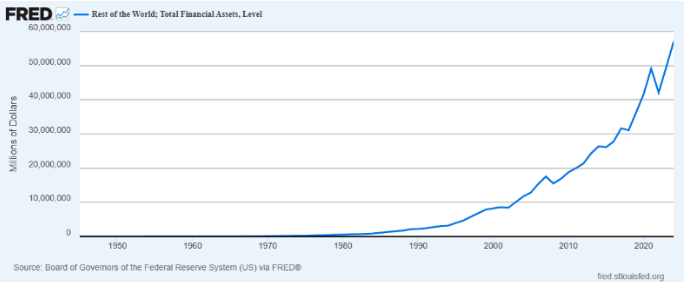


The chart, shows how an economy that accounts for 26% of global GDP, accounts for only 11% of global trade and yet its currency accounts for almost 90% of forex transaction volume and 58% of forex reserves of foreign central banks.

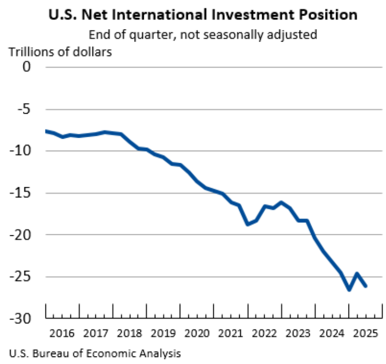
Chart, by FRED, on foreign and international investors holding US public debt or treasuries shows a continuous increase in value : $487b in 1990, to $3.0t in 2008 and $9.1t in 2025. (a 35 year CAGR of 8.7%).

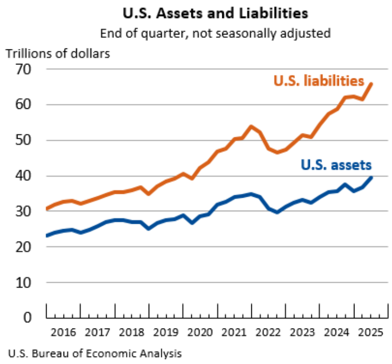


Chart, by FRED, on gross non – resident or rest of world investment into US assets, shows a continuous increase (barring brief pull backs in 2008 and 2020) over several decades. Rest of world (sovereign and others) held close to $60t in US assets. On one hand, it demonstrates the faith shown by these investors in US economic resilience and on the other, how dependent (and integrated) the world is on the well being of the US economy.



Bureau of Economic Analysis (BEA) released U.S. International Investment Position, 2nd Quarter 2025 on September 29th 2025, that shows the rest of world has a net investment of $26t into US.





The "petrodollar" which cemented the foundations of the US$ as a reserve currency, even after moving away from the gold standard, continues to play that foundational role. Even today more than 75% of global oil trade is priced in US$ ("*A fifth of global oil trade this year was settled in currencies different from the U.S. dollar as countries such as Russia and China move away from the petrodollar*" per a J P Morgan senior analyst in December 2023).

As can be seen from the above charts and data, the rest of world is heavily dependent on the US$ and despite US direct or covert operations across the world, they still invest huge sums of money in US economy and financial markets.

De-dollarisation: myth or reality?

De-dollarisation refers to the global trend of reducing reliance on the US$ for trade, finance, and reserves. It reflects both policy-driven moves (countries deliberately shifting to alternative currencies) and market-driven changes (emergence of other financial centers, technological innovations, and shifts in trade patterns).

Some of the early, recorded sentiments against US$ dominance have been from the middle east where Iraq, Libya and Iran have held strong views against the US hegemony, and some would say, paid a heavy price for it. Other countries like Brazil, Russia, China, India and others have all taken steps to create optionality and gradually reducing dependence on US$.

- **Iraq**

In 2000, Saddam Hussein, President of Iraq directly challenged the petrodollar system:

"*Iraq will no longer accept the dollar for oil transactions, but will use the euro instead.*" *(reported by Reuters, November 2000, on Iraq's request to the UN)*

By 2002, Iraq had successfully converted most of its oil trade invoicing to euros. In 2003, US attacked Iraq, under the now defunct presence of chemical weapons theory, removed and hanged Saddam Hussein. After the 2003 invasion, Iraq oil sales reverted to US$.

- **Libya**

Muammar Gaddafi, Prime Minster of Libya, was a long-time critic of the dollar system and Western financial dominance. In the 2000s, he pushed for an "African dinar" backed by gold to be used for oil and resource trade within Africa as a way to bypass the USD and EUR.

"They say we can't have our own currency, backed by our own resources… Why should we continue to rely on the dollar or the euro?" (Gaddafi, circa 2009 at an African Union Summit)

In 2011, on the basis of a UN resolution, NATO forces implemented an arms embargo, a no-fly zone in Libya and conducted air and naval strikes against Libyan armed forces. On October 20, 2011, Muammar Gaddafi was killed by Libyan rebel fighters.

- **Brazil**

In recent years, Brazilian President Luiz Inácio Lula da Silva, has been very vocal about shift away from US$. Consider the following statements:

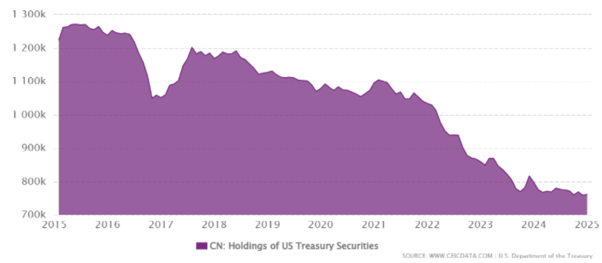
"*Who was it that decided that the dollar was the currency after the disappearance of the gold standard? Why can't we do trade based on our own currencies?*" (In 2023, on a state visit to China)

"*The world needs to find a way that our trade relations don't have to pass through the dollar… That's something that happens gradually until it's consolidated.*" (In 2025, at the BRICS summit)

In 2023, Brazil and China signed an agreement allowing importers/exporters to make payments in their local currencies (Real / RMB) instead of the USD. Total value of trade between the two, is estimated around $180b, with Brazil being the next exporter. Its not known, what percentage of the trade has shifted away from US$.

- **China**

China has been actively working to de-dollarise since the first Trump administration in 2016, when the US policy expressly treated China as a major geopolitical competitor. Amongst, many other steps like bilateral trade deals in local currencies with several countries, the biggest area where China has made a change is in reduction of its US treasury holdings. From a peak of about $1.3t, the same have now dropped to about $750b.



China doesn't publish a transparent breakdown of its reserves, so its not clear what may have replaced the US treasury assets. It is most likely, a mix of Gold (as a sanction-proof reserve), Non-USD assets (euro, yen, other sovereign bonds), Bilateral loans / BRI lending (strategic investments) or used the liquidity from sale of treasuries for FX market operations (to stabilize yuan).

China has also taken many other steps to reduce dependence on US$ not just for itself but also other countries. Some of these include:

- Use of Yuan in trade settlement: Brazil, Russia, Bangladesh, Pakistan, Iran, KSA, and many other countries.
- China's central bank (PBOC) has arranged or extended swap lines with many countries (especially in Asia, Africa, Latin America), enabling partner countries to access RMB liquidity for trade and financing.
- Development & expansion of CIPS (Cross-Border Interbank Payment System). CIPS is China's RMB-based payment & settlement infrastructure for cross-border transactions. It allows clearing and settlement of RMB payments outside the dollar system.

Per several media reports, China is actively expanding its gold warehousing and exchanges in Shanghai and HK and courting countries to store their physical gold reserves in one of these vaults. It is speculated that gold stored in these exchanges can later serve as a basis for trade settlement completely bypassing the current US$ based settlement system.

- **India**

India's stated policy is that it is not pursuing de-dollarisation in any form or as part of its economic, political or foreign policy. Here are some snippets from India's external affairs minister, Mr. Jaishankar:

"*India has never been for de-dollarization … the US is our largest trade partner and we have no interest in weakening the US dollar at all.*" Doha Forum, 2024

"*I don't think there's any policy on our part to replace the dollar. As I said, at the end of the day, the dollar as the reserve currency is the source of international economic stability, and right now, what we want in the world is more economic stability, not less.*" London, March 2025.

However, India has taken steps to internationalise the Rupee (and in a way reduce dependence on US$):

- Bilateral local currency trade agreements: with UAE, Russia, Malaysia, Bangladesh
- The RBI has permitted the opening of Vostro accounts, allowing trade settlements in local currencies with select member nations. As of 2025, RBI has permitted more than 120 correspondent banks from 22+ trading partners to open special Rupee Vostro Accounts (SRVAs) with 26+ Indian Banks. List of countries include: Russia, the UK, Germany, Singapore, New Zealand, Belarus, Botswana, Fiji, Guyana, Israel, Kenya, Malaysia, Mauritius, Myanmar, Oman, Seychelles, Sri Lanka, Tanzania, Uganda, Bangladesh, Maldives and Kazakhstan.

In recent years, India has also managed to narrow down the current account deficit requiring lower foreign exchange on account of trade.

Impact on US$ role as medium of exchange

- **Non-Dollar Settlement in Strategic Energy Trade**

The petrodollar system has been a primary pillar of dollar demand for fifty years. The acceleration of non-dollar energy trade is therefore a direct assault on this foundation. Before 2022, nearly all of Russia's seaborne crude oil exports were settled in U.S. dollars. By 2025, over 90% of this trade is now paid for in a basket of non-dollar currencies, primarily the Chinese Yuan and UAE Dirham.

Critically, the trend now extends to the linchpin of the petrodollar system, Saudi Arabia. In late 2023, the Saudi and Chinese central banks activated a local currency swap agreement, creating the infrastructure for direct Rial-Yuan trade. Furthermore, Saudi Arabia has become a full participant in Project mBridge, signalling a clear intent to be at the forefront of non-dollar settlement technology. While the majority of Saudi oil is still sold in dollars, Saudi Aramco is reportedly in active discussions to price some of its sales to China using the Shanghai PetroYuan crude oil futures contract.

This is not just an eastern phenomenon. In March 2023, the first-ever Yuan-settled LNG trade occurred between China and France's TotalEnergies. Other nations are also creating new corridors, such as Pakistan, which paid for its first shipment of Russian oil in Yuan, demonstrating the currency's growing role as a regional settlement medium.

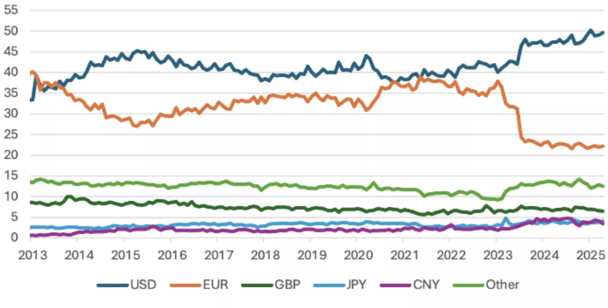
As Zoltan Pozsar, a widely-followed market strategist, has argued, *"The emergence of the PetroYuan is the single biggest development in financial markets... It is the dawn of a new Bretton Woods system centred around commodity-backed currencies in the East."* While the majority of Saudi oil is still sold in dollars, recent moves like activating a currency swap line with China and joining Project mBridge represent the construction of a viable alternative.

- **The Yuan's Rise in Global Payments**

The ultimate indicator of a rising challenger is its adoption in daily international transactions. The Chinese Yuan has made significant strides, graduating from a minor currency to a top-tier player. Based on annual average data from SWIFT, the Yuan ranked as the #7 most-used currency in 2015 with a market share of around 1.9%. For years, it hovered in this range. However, post-2022, its ascent has been rapid. By the end of 2023, it had surpassed the Japanese Yen to become the #4 payment currency globally. Its annual average market share for 2024 climbed to 4.0%, more than doubling its share from just a few years prior.

This is supported by a deliberate infrastructure build-out. The People's Bank of China has signed bilateral currency swap lines totalling over ¥4 trillion with more than 40 countries. These are not just symbolic; they are functional. In a highly symbolic move in 2023, Argentina used its swap line with China to make a $2.7 billion repayment to the IMF in Yuan, using a non-dollar facility to meet an obligation to the central institution of the dollar-based order. This, combined with the growth of Yuan-denominated trade finance, which has more than doubled its market share since 2020, demonstrates a new level of financial optionality for developing nations. As Argentina's Economy Minister Sergio Massa announced, this allowed them to *"not have to use a single dollar from our reserves,"* demonstrating a new level of financial optionality for developing nations.

However, based on SWIFT data (sourced from Gold.org), US$ still represents about half of all cross-border payments facilitated by SWIFT. If anything, in recent years, financial transactions in US$ has only gone up, largely at the cost of the EUR.



It shows that when it comes global trade and financial flows, rest of the world still doesn't have a reliable alternative and all the steps mentioned haven't made a dent on US$ dominance

Source: Society for Worldwide Interbank Financial Telecommunication, Macrobond, Invesco. Monthly data as at 07 June 2025.

"*The attempts to unseat the USD have been more political or opportunistic than economic in nature and no alternative to the USD yet exists*." Source: The International Monetary System and the Canary in the Goldmine, Gold.org.

Impact on US$ as a store of value

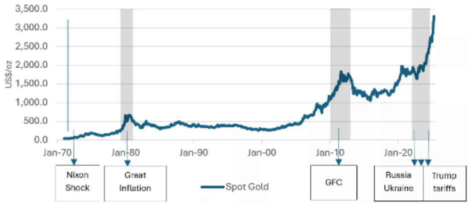
In 1960, Belgian economist Robert Triffin, pointed out: "*The country issuing the global reserve currency must provide the world with liquidity by running deficits — but those very deficits eventually undermine confidence in that currency*." This paradox has since then, come to be known as the **Triffin Dilemma.**

In May 2025, Moody's rating agency downgraded US sovereign credit rating to Aa1 from AAA. Moody's was the last of the 3 largest global credit rating agencies to take this step, following after Fitch downgrade in 2023 and S&P downgrade in 2011. Moody's cited the increase in government debt and rise in interest costs as reasons for the downgrade.

- **Gold to the rescue**

The most physical manifestation of this strategic shift towards de-dollarisation can be seen in the vaults of the world's central banks. Gold, as a neutral Tier 1 reserve asset with zero counterparty risk, has become the ultimate insurance policy. While central banks have been net buyers for over a decade, the scale of their purchases since 2022 is unprecedented. According to the World Gold Council, between 2015 and 2021, central banks added an average of 512 net tonnes of gold to their reserves annually. In 2022, that figure skyrocketed to a record 1,082 tonnes, a level sustained with 1,037 tonnes purchased in 2023 and 1089 tonnes in 2024.

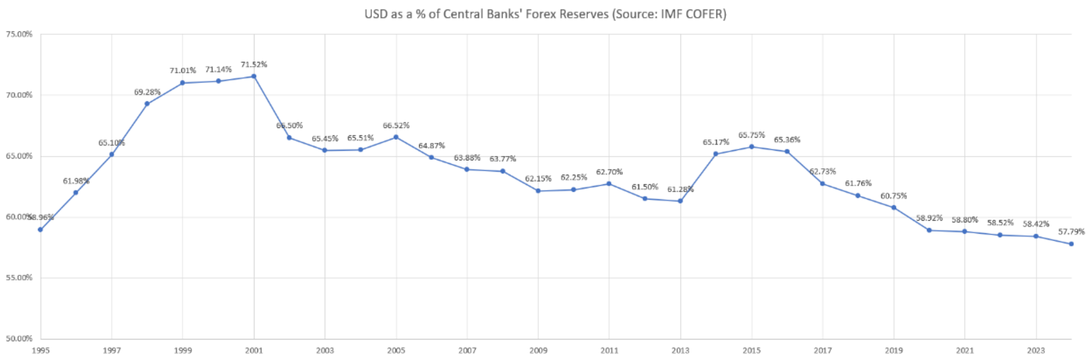
This strategic pivot was articulated by Adam Glapiński, Governor of the National Bank of Poland, one of the most active buyers, who stated, *"Gold is free from credit risk and cannot be devalued by any country's economic policy... It makes the country more credible."* For a key de-dollarizing state like Russia, this has resulted in a historic rebalancing: its holdings of physical gold (now over 2,330 tonnes) have now far surpassed the value of its remaining U.S. Treasury holdings, which have been almost entirely liquidated.

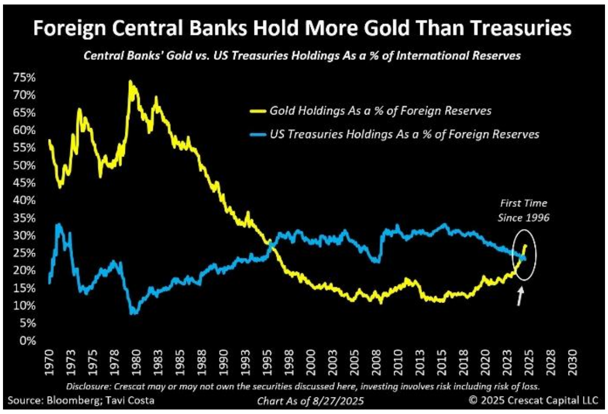


"The USD was, arguably, the first global currency untethered from a precious metal and held solely on the basis of trust in the issuing country. Trust in the USD was first tested in 1971, when President Nixon severed the convertibility of the USD to gold in the face of a level of foreign claims that exceeded the domestic gold stock. From 1971 to 1973, the gold price increased from $40/oz in 1971 to $108/oz as the price adjusted to underlying demand and supply variables. Since, the USD regained and until now, has retained the world's trust based on the "full faith and credit" of the US, despite intermittent challenges and corrective actions. The gold price run-up since 2022, however, may be signalling a pivot in the existing international monetary system and the start of a transition, albeit gradual, from a US-centric to a more multi-polar system." (Source: The International Monetary System and the Canary in the Goldmine, Gold.org.)

- **The Eroding Foundation: The Dollar's Share of FX Reserves**

The classic indicator of the dollar's status is its share of official foreign exchange (FX) reserves. While the headline number shows a drop from 59.2% in late 2021 to 58.4% in the most recent IMF data, this figure is heavily distorted by the U.S. dollar's recent strength. When economists adjust for this "valuation effect," the underlying trend is revealed: the pace of active, deliberate selling of U.S. dollar assets by global central banks has significantly accelerated since 2022.





Economist Mohamed El-Erian captured this sentiment perfectly: *"The willing weaponization of finance and sanctions has given other countries a huge incentive to de-dollarize... It's no longer just a theoretical possibility; it's a priority for countries that do not want their economic destiny to be a function of another country's foreign policy."* This active diversification is visible in the portfolios of individual nations like Brazil, which has made the Yuan its second-largest reserve currency, surpassing the Euro.

A False Alarm? The Case for Dollar Dominance

Despite this clear acceleration, the sheer scale of the dollar's incumbency presents a monumental logistical challenge. According to the Bank for International Settlements (BIS), the U.S. dollar is on one side of 88% of all daily global foreign exchange trades, a volume equivalent to $6.5 trillion per day.

JPMorgan Chase CEO Jamie Dimon put it bluntly in his 2025 shareholder letter: *"The notion that the dollar will be unseated anytime soon is a significant overstatement... The U.S. has the world's deepest, most liquid capital markets, which are supported by an exceptionally strong military and a legal and regulatory infrastructure that, while not perfect, is the most transparent and predictable."* Critics point to the structural flaws of the challengers: the Eurozone's lack of a unified sovereign bond market and the Yuan's strict capital controls.

Has This Happened Before?

History shows that the decline of a reserve currency is a slow, multi-decade process, but it does happen. The most recent precedent is the decline of the British Pound Sterling. For over a century, the Pound was the world's undisputed reserve currency. However, after two costly world wars, Britain was a massive debtor nation, while the U.S. was the world's largest creditor.

The final nail in the coffin was the Suez Crisis of 1956. As prominent economic historian Barry Eichengreen explains, *"The Suez Crisis of 1956 was the occasion when the United States demonstrated that it held the financial whip hand. Washington's threat to sell its holdings of British government bonds was a lesson in the new realities of financial power, effectively ending Britain's military operation and the Pound Sterling's role as a dominant reserve currency."* The parallel to the modern weaponization of the dollar is striking.

Conclusion: An Order in Flux

So, is the move away from the dollar an unstoppable trend? The evidence shows a clear and accelerating effort by a significant portion of the world to build an alternative, multipolar financial system. The data on gold buying, non-dollar energy trade, and the development of new payment infrastructure is undeniable.

However, the structural dominance of the dollar: its deep liquidity, its role in global credit, and the lack of a credible successor, remains a formidable reality. The world is not on the verge of a post-dollar era tomorrow.

Instead, the validity of Lula's assertion is contingent on future developments. The key question is whether the internal strains on the U.S., particularly its immense and growing national debt, projected by the US Congressional Budget Office to reach 135% of GDP by 2035, will erode trust faster than the challengers can build a viable alternative. As Ray Dalio concludes in his analysis of historical cycles, *"We are in a transitional period… The old order is clearly fraying, but the new one has not yet been born."* The unravelling, it seems, has just begun.