

De-dollarization as a Manifestation of the Transition of International Monetary Relations to Polycentrism

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Abstract—The article analyzes the possibility of gradual transition to polycentrism in international monetary relations. Highlighted controversial issues, the solution of which depends on the degree of de-dollarization of international monetary relations and a reduction in geopolitical risks and reducing losses in foreign trade activities as a result of the diversification of currencies used in international transactions and payments. The measures taken by developed and developing countries to reduce the impact of the dollar as an important tool for the implementation of economic policy and financial pressure on foreign economic partners of the United States are determined. The necessity of expansion of the Russian policy of de-dollarization in the conditions of preservation of probability of expansion of financial sanctions of the USA is proved.

Keywords—*de-dollarization; protectionism; global reserve assets; polycentrism of currency relations; financial sanctions*

I. INTRODUCTION

Against the background of the slow entry of the global economy on the trajectory of sustainable growth in the last decade, a trend towards multipolarity and polycentrism has emerged, which manifests itself as the de-dollarization of international monetary relations. The urgency of the problem of de-dollarization of international monetary relations is confirmed by the measures taken by developed and developing countries to diversify their official reserves in order to limit geopolitical risks. The desire of the us monetary authorities to maintain their monopoly position in the world currency and financial markets is opposed by the strengthening of the positions of national and regional currencies, the use of which in international settlements and in the structure of global reserves is gradually increasing, in order to reduce the risks of losses due to the unstable economic and protectionist policy of the us authorities.

The purpose of this article is based on a comparative analysis of the degree of participation of the dollar and national currencies in international payment transactions and in the structure of official gold and foreign exchange reserves of countries to determine the degree of de-dollarization and the degree of realization of the trend towards polycentrism in international monetary relations.

The trend towards multipolarity in international economic relations is becoming increasingly clear under the influence of the changes that are taking place in international trade, in the world financial market, manifested in the more active participation of developing countries, especially China, in the creation of the gross domestic product. At the same time, the dollar continues to play the role of the world currency in international payments and settlements, in the structure of

global reserve assets. The unpredictability of changes in the foreign economic policy of the us administration increases the likelihood of currency and financial irregularities in the implementation of various forms of foreign economic cooperation.

At the same time, the dollar continues to play the role of the world currency in international payments and settlements, in the structure of global reserve assets. The unpredictability of changes in the foreign economic policy of the us administration increases the likelihood of currency and financial irregularities in the implementation of various forms of foreign economic cooperation. Therefore, the problem of de-dollarization of international monetary relations is very relevant and affects the economic interests of both developed and developing countries.

II. METHOD OF RESEARCH

The theoretical platform of the issue of de-dollarization of international monetary relations in the conditions of unstable development of the modern global economy is represented by a variety of approaches and concepts. Each of them presents its own perspective of solving the problem, so it is necessary to consider them in a complex. The study used such methodological approaches and research methods as comparative analysis, content analysis, perception data analyses, that is, the interpretation of the data.

The research algorithm includes: identification of motives and reasons that determine the desire of countries to diversify the number of currencies that are used for international settlements, financial transactions and for the formation of global reserves; analysis of measures taken by countries to reduce the impact of the dollar's position as a world currency on their foreign economic activity; development of recommendations on de-dollarization of foreign exchange relations taking into account the impact of geopolitical risks and changes in US foreign economic policy, the probability of which increases in conditions of low rates of development of the global economy.

III. RESULTS AND DISCUSSION

In the discussion on the possibility of de-dollarization of modern international monetary relations, as well as on the role of the dollar and its fate as a key currency, various points of view are presented in the works of Russian and foreign economists. American economists Ethan Illetzki, Carmen M. Reinhart, and Kenneth S. Rogoff emphasize that the dollar's dominant role as a reserve currency does not currently correspond to the US economy's share of global GDP. If in the

early 50s of the 20th century, the us share of world GDP reached almost 30%, in the second decade of the 21st century it decreased to 18%, while the share of China increased to 16%, i.e. almost four times [1]. In their study, the authors conclude that the Chinese currency has prospects of strengthening its reserve role, but currently the us dollar has a dominant position, which can be weakened if China, which is the largest holder of US financial assets, reduces the demand for us Federal reserve bonds.

Russian economist Kondratov D.I. believes that the reserve position of the dollar will be maintained. The main argument in favor of the dollar is that the US economy is supported by huge political influence and military power. The American authorities have considerable experience in managing economic crises, which, in particular, allowed them to prevent a slide into recession in 2014 and ensure GDP growth at the level of 2.4% [2]. However, not all countries agree to maintain the dominance of the dollar in the future. With protectionist positions in trade, which are supported by the us authorities, not all countries agree. The desire of the us administration to restore its position as a leading center of world trade by increasing customs duties in order to reduce the trade deficit is used not only in relation to China as the main competitor in the world market, whose GDP grew in 2018 by 6.6% [3], but also in relation to the EU.

The president of the European Commission Jean Claude Juncker, in the autumn of 2018, made a report in the European Parliament, which was called the 'Juncker plan', stressed the inconsistency of the situation when Europe pays for 80% of energy imports in us dollars, but only 2% of European imports are accounted for by the US, in addition, European companies buy European aircraft for the us currency, instead of their own currency. In his opinion, the Euro can successfully compete with the US dollar [4].

Peter Coy is the economics editor for Bloomberg Businessweek and covers a wide range of economic issues among a wide range of issues characterizing changes in modern currency relations, highlighted the inconsistency of the actions of the us monetary authorities.

On the one hand, the EU countries are considered as trading partners, and on the other hand, sanctions can be applied to them if European companies continue to cooperate with Iran. This situation is possible thanks to the key position of the dollar in the currency and financial markets. Financial pressure from the United States is facilitated by legislative decisions affecting not only American banks and corporations, but also all their foreign partners. The Counter America's Adversaries Through Sanctions Act, signed in August 2017 in the United States, makes all non-residents, primarily foreign banks, very attentive and wary of all participants in foreign economic relations from countries whose cooperation does not meet American interests.

Article 228 of this Act makes it possible to automatically impose sanctions against individuals and companies that do not comply with us restrictive measures against Russia. Thus, this law imposes secondary sanctions against all companies and banks that continue business relations with Russian projects and persons under sanctions. As a result, there was a policy of cautious attitude to all Russian participants in foreign economic cooperation, not only from the European Union and

the United States, but also from banks and corporations from countries with which Russia had no problems before.

Another motive for the de-dollarization of international payment and settlement relations is the expansion of protectionism in US trade policy towards foreign trade partners in order to reduce the trade deficit. Expression of the desire of the US to regain its leadership in world trade through protectionist measures is to increase 23 Jan 2018. 30% duties on imports of solar panels and their components, with a gradual decline to 2012. These measures were a signal to trading partners about the transition of the American government to a policy of protectionism. As a result of such actions on the part of the United States, not only the conditions of access to the global market are distorted, but also the credibility of the WTO is undermined.

As a result of U.S. duties on imports of steel by 25% and aluminum by 10 %, China's taxable positions are estimated at \$ 200 billion., while China in response to these actions imposed a 15% duty on imports from the United States on 120 trade names and a 25% duty on eight names. As a result, China's tariffs put pressure on U.S. imports of about \$ 60 billion [5]. If initially among the commodity items of Chinese imports on which the US imposed a 25% duty prevailed engineering products, including motorcycles, railway components, tractors and agricultural equipment, and China's response was to increase at the same level of duties on American products of the chemical industry, energy and medical equipment, then in late 2018 and early 2019. The measures taken by the United States should slow down the technological development of China. Among them, high-tech companies ZTE and Huawei suffered from American sanctions. To overcome the impact of American protectionist measures on the developing economy, China is seeking to expand the use of its currency not only in settlements and payments, but also in financial transactions.

Professor Barry Eichengreen of the University of California at Berkeley in his work "Exorbitant Privilege: The Rise and Fall of the Dollar" notes the possibility of a "multipolar" system in the case of the gradual rise of new economic powers, such as China, India and Brazil [6]. In June 2019, the number of ten widely represented currencies in the payment turnover included the Singapore dollar (SGD) with a share of 1.05 and the Thai baht (THB) with a share of 1.01 %, ranking 9th and 10th after the Australian dollar (a share of 1.69%) and the Hong Kong dollar (a share of 1.53%), pushing the Swiss franc to 11th place with a share of 0.89% [12]. This indicates a wider involvement in the international payment turnover of an increasing number of currencies of developing countries. However, with the world economy still at a low pace, the decline in demand for the products of these countries counteracts the strengthening of the positions of their currencies.

Among the most important problems affecting the stable development of the world economy Barry Eichengreen refers to the problem of increasing external debt by both developed and developing countries against the background of slowing growth of the world economy and the economy of individual countries. UNCTAD estimates that the world's total debt has risen from 142 trillion over the past ten years. doll. to nearly 250 trillion. doll. at the beginning of 2018, which is three times the volume of world revenues. A significant contribution

to the increase in debt in the world economy has made a controversial policy of quantitative easing in the United States. The consequence of a significant increase in cheap liquidity in the financial markets of developed countries was not an increase in investment activity, but the growth of private sector debt. The rate of investment in developed countries decreased from 23% in 2008 to 21% in 2017 [7], and as a result of increased demand for financial assets, their prices increased, which led to their complete separation from the real economy. UNCTAD's Trade and Development Report 2019 calls for urgent action on debt relief, concessional lending and improved sovereign debt restructuring mechanisms [8].

According to Massachusetts Institute of technology professors Kenneth Rogoff and Carmen Reinhart, the increase in debt negatively affects the rate of economic growth, reduces investor confidence and leads to capital flight. Therefore, these authors, as well as IMF experts, call to abandon the liberal monetary policy and move to austerity [9]. However, as the world experience shows, the stimulus for production growth is the growth of consumer demand, not its reduction. Therefore, the policy of quantitative easing in the US created the effect of "cheap" money and played an important role in increasing the growth rate of the us economy to 2.4% in 2015. At the same time, in the Eurozone countries in the post-crisis period, the policy of austerity and money supply compression was carried out, as a result of which in 2015 the EU economy grew by 1.7%. As a result of the fact that the ECB moved to quantitative easing policy later than the US, growth in the Eurozone countries in 2017 remained at 1.7% [10]. The result of increasing available liquidity in the global financial market was the increase in the dollar borrowing of developing countries and their transformation into net debtors, as evidenced countries in total world debt from 7% by the increasing share of developing borrowing of developing countries and their transformation into net debtors, as evidenced in 2007 [7]. In the result, the world economy remains volatile, the manifestation of which is the outflow of capital from developing countries on the financial markets of developed countries, and primarily in the United States, stimulating the growth of the American economy.

The persistence over the past decade of low rates of the global economy for many countries is a reason to reconsider the structure of their official reserves. A manifestation of the tendency to diversify the structure of the international reserve position is a change in its currency component and an increase in the share of gold. The inclusion of the dollar by many countries in the structure of official reserves allows the United States to use its currency for foreign trade and expansion. Therefore, the desire of all countries to protect themselves from financial pressure from the United States by diversifying their gold and foreign exchange reserves is quite justified. According to the World Gold Council (WGC), the trend of increasing the share of gold in the structure of official reserves is most clearly manifested in Russia and China [11] (Table 1).

TABLE I. GOLD IN THE STRUCTURE OF OFFICIAL RESERVES

Gold in the structure of official reserves				
Country	Volume of gold in official reserves, t		Volume of gold in official reserves, %	
	01.01.2016	01.01.2019	01.01.2016	01.01.2019
USA	8133.5	8133.5	72.6	75.2
Germany	371.0	3391.0	66.8	70.6

Italy	2451.8	2451.8	67.9	67.9
France	2436.0	2436.0	63.9	63.9
Russia	1414.6	2113.0	12.8	18.4
China	1762.3	1887.2	2.2	2.4
Swiss	1040.0	1040.0	5.4	5.4
Japan	765.2	765.2	2.5	2.5
Nederland	612.5	612.5	65.8	65.2
India	556.8	598.7	5.5	6.2

According to Bloomberg in recent years, the largest buyers of gold on the London metal exchange (LME) are China and India, which is reflected in the increase in the share of gold in the structure of their official reserves

In turn, the Bank of Russia buys from Russian mining companies for rubles, not dollars, almost the entire volume of gold produced (250-280 tons per year) increasing the gold reserve to 2113.0 tons at the beginning of 2019. According to the world Gold Council (WGC), In turn, the Bank of Russia buys from Russian mining companies for rubles, not dollars, almost the entire volume of gold produced (250-280 tons per year) increasing the gold reserve to 2113.0 tons at the beginning of 2019. According to the world Gold Council (WGC), the Central Bank of Russia in 2018 bought a record volume of 274.3 tons of gold [12]. Along with the increase in the share of gold in its reserves, China is slowly reducing the share of funds invested in long-term Treasury bonds and other debt obligations of the US government. While Russia for the period from 2014 to the present time has reduced many times. Already in 2018, Russia's investments in U.S. securities decreased from \$ 96 billion. up to \$ 15 billion by the beginning of 2019, and in August 2019, Russian investments in long-term U.S. Treasury bonds decreased to \$ 9 billion. Some developed countries are seeking to return their gold reserves, held at the Federal reserve Bank of New York and Central banks in London and Paris, to their national vaults. For example, Germany directly in the vaults of the Bundesbank in Frankfurt is only 1036 tons, or 31% of the national gold.

The study of measures aimed at de-dollarization of international monetary relations shows that countries are guided by various motives, the effect of which is enhanced by the persistence of instability in the world economy and a low degree of confidence in the dollar as a world currency.

IV. CONCLUSION

A comparative analysis of the motives that guide both developed and developing countries in participating in the policy of de-dollarization of international monetary relations shows that the measures taken to this end differ significantly.

Countries that are more influenced by trade protectionism measures are considering strengthening the position of the national currency. This concerns the measures taken by the EU to organize settlements with Iranian partners without the us dollar, to use the experience of Norway, which receives payments in euros for energy exports to the EU. In the meantime, as the largest importer of energy, the EU pays for 80% of their supplies in US dollars.

China is seeking to expand the internationalization of its currency not only to reduce the costs that accompany currency exchange operations, but also to expand the range of trading partners willing to include the Chinese currency in their reserve assets. To this end, China has allowed the issuance of bonds denominated in Chinese currency-Panda bonds, which

can be issued by foreign issuers such as international development institutions. As a result of this measure, in 2018, the share of the yuan among foreign currencies in which international financial assets are issued increased to 1.66%, overtaking the Japanese yen (1.6%), taking third place after the US dollar (86.7%) and the Euro (6.64%).

In a different situation are countries against which the US has imposed financial restrictions, such as Russia. The use not only of sectoral restrictions, but also their extension to individual enterprises and individuals is the reason for the introduction of a wide range of measures that reduce the impact of the dollar on the national economy. Measures include the establishment of a system of transmission of financial messages (the analogue of the SWIFT system), increased use for cashless payment card "the World", reducing the share of the dollar in the Russian currency reserves to 24.4%, increasing the Euro share to 32%, the Chinese yuan to 14.7%, other currencies don't have such a substantial share. Major Russian participants in foreign trade turnover such as Gazprom and Rosneft seek to use domestic currencies in international settlements. A positive example can be settlements with Turkish companies for the supply of components for the Russian automotive industry, which are ready to make settlements in rubles, as well as Russian companies that have expressed a desire to start settlements in Turkish Lira. But in this case, the question remains-at what rate will the Russian ruble and the Turkish Lira be exchanged? More likely is the use of the Euro in Russia's calculations with EU countries for energy resources. This practice is in the interests of the EU, as it can strengthen the international position of the Euro and reduce geopolitical risks for the Russian Federation.

Russia's position in achieving de-dollarization can be significantly strengthened if collective measures are taken to this end. This possibility was discussed in June 2019 in Bishkek at the SCO summit, where they stressed the need to move to settlements in national currencies and proposed the creation of the SCO development Bank. In the current geopolitical situation and in the absence of the possibility of lifting anti-Russian economic sanctions, the use of national currencies of the SCO countries in foreign economic relations or the creation of a settlement unit for settlements in mutual cooperation would help to reduce external pressure in the conditions of global instability, primarily in emerging markets. But at the same time, it is advisable to take into account that trade relations are carried out on the basis of multi-year agreements and long-term contracts for foreign trade transactions, so calculations in national currencies can be applied only to new transactions.

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