

Is De?Dollarization Realistic?

**Description**

# ?? Introduction

As global tensions rise and major economies like China, Russia, and members of BRICS seek alternatives to the US dollar, the concept of **de?dollarization** has moved from theory to practice. But can the dollar’s century-long reign truly be challenged? And should India consider a move away from the greenback?

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# ? What is De-Dollarization?

**De?dollarization** means reducing reliance on the US dollar in global transactions, reserves, and contracts. This involves promoting trade in local currencies, issuing central bank digital currencies (CBDCs), and creating alternative financial systems that bypass the dollar.

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# ? Context

- Central banks in emerging markets are increasingly issuing bonds in euros, yen, yuan, and francs — an early sign of diversification
- UBS survey shows rising concerns about US Fed independence, with 29% of reserve managers planning to cut exposure to US assets and shift toward gold, euro, renminbi, and crypto
- But Reuters stresses the dollar remains dominant; price moves don’t equal global de?dollarization

- RBI Governor Shaktikanta Das and EAM Jaishankar reaffirm India has **no policy or objective to de-dollarize**, preferring cautious local currency trade deals

# ? Arguments in Favour (YES – De-Dollarization Is Emerging)

1. ? **Reduces geopolitical risk** – Limits exposure to US sanctions and policy volatility
2. ? **Promotes monetary sovereignty** – Countries retain more control over their finance systems
3. ? **Early currency diversification** – Growing bond issuances in euros, yen, yuan shows a measurable shift
4. ? **Limits dollar dominance** – Global reserve share dropped from ~70% (2000) to ~59% now
5. ? **Rise of stablecoins & CBDCs** – Digital alternatives may bypass dollar-dominated cross-border systems
6. ? **BRICS building alternatives** – New bank, payment systems, and currency-led platforms are being developed
7. ? **China's yuan gains** – Central bank holdings of RMB are rising, though modest overall
8. ? **Non-dollar settlement pacts forming** – India-Russia, Argentina-China, and others are settling in local currencies
9. ? **Sanctions drive action** – Russia, Iran, etc., are building non-SWIFT systems to evade dollar influence .
10. ? **Global financial shift underway** – Financial repression trends and rising nationalist finance hint at longer-term move .




Also Read: Is Digital Arrest a Rising Threat in India?

## ? Arguments Against (NO – Dollar Remains King)

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? **Dollar still dominant** – Over 50% of global FX reserves remain in USD

2. ? **Euro lags deeply** – Structural issues keep euro regional; it lacks dollar’s liquidity
3. ? **Triffin dilemma remains** – US deficits are key to dollar’s global liquidity—no alternative matches that
4. ? **High transition costs** – Existing dollar-based infrastructure is massive and costly to replace .
5. ? **Currencies not fully convertible** – Emerging alternatives like RMB face foreign exchange restrictions
6. ? **India opposes it** – Both RBI and MEA have explicitly dismissed de?dollarization strategies
7. ? **Dollarization still rising** – Bank of America notes growing dollar liabilities indicate ongoing dominance
8. ? **Global trust in US assets** – Despite volatility, Treasuries are deep, liquid, and safe .
9. ? **Lack of viable alternative** – No single currency or system can match dollar’s global role yet .
10. ? **Move is slow, not structural** – Experts see de?dollarization as gradual diversification, not a sudden dethroning

# ? Balanced Conclusion

True de?dollarization is **plausible but gradual**. Nations are diversifying reserves, exploring local currency trade, and building digital systems. But structural inertia, global confidence in the dollar, and lack of credible alternatives mean the dollar will remain dominant for now—likely the next decade or more.

India, in particular, is **open to alternatives in trade**, but has **no official de?dollarization agenda**—preferring stability, pragmatism, and financial safety.

# ? Quick Summary

- **Yes:** Countries actively diversify, digital currencies emerge, and geopolitical concerns drive change.
- **No:** The dollar still leads in reserves, liquidity, legal trust, and infrastructure.
- **Verdict:** Expect slow currency diversification—not a sudden end to dollar dominance.

## ? FAQs

**Q1. Is India de-dollarizing?**
No. RBI Governor and MEA clarify India isn't pursuing de-dollarization—only exploring local currency trade agreements

**Q2. How much of global reserves are in USD?**
About **59%**, down from ~70% in 2000. Other currencies like euro and yen remain distant competitors

**Q3. What could replace the dollar?**
Emerging alternatives include the euro, RMB, cryptocurrencies, BRICS CBDCs, and IMF's SDRs—but none yet match the dollar's scale and trust .

https://www.reuters.com/business/finance/amundi-warns-us-stablecoin-policy-could-destabilise-global-payments-system-2025-07-03/

https://www.reuters.com/business/finance/fed-independence-us-rule-law-risk-ubs-reserve-managers-survey-says-2025-07-03/

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