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The BRICS Rebellion: Local Currencies, Payment Networks, and the Unmaking of Dollar Hegemony

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Abstract: The global economic order is undergoing a fundamental transformation as multicurrency mercantilism challenges the long-standing dominance of the U.S. dollar and Western-led financial institutions. Driven by the weaponization of economic and financial tools such as sanctions and tariffs, US Federal Reserve's monetary policy instability, and the strategic pursuit of economic sovereignty, nations—particularly within the BRICS bloc—are advancing de-dollarization through alternative payment systems, local currency trade agreements, and digital financial infrastructures. This shift diminishes reliance on SWIFT and dollar-centric mechanisms, fostering a more multipolar financial landscape.

The move toward a multipolar monetary system—marked by regional financial integration, central bank digital currencies (CBDCs), and alternative payment infrastructures—signals a fundamental restructuring of global economic power. While diversification may enhance resilience against U.S. financial coercion, it also introduces risks such as currency volatility and fragmented liquidity. The geopolitical implications are profound, as parallel financial ecosystems reduce exposure to Western sanctions and reshape economic alliances. Although the dollar retains structural advantages, its unchallenged supremacy is waning, compelling the U.S. to reassess its economic diplomacy. The future of global finance hinges on whether the international community embraces cooperative multilateralism or accelerates fragmentation.

This article examines de-dollarization's geopolitical and economic implications, analyzing its potential to reshape international finance, reduce US economic leverage, and redefine global trade dynamics. The findings suggest that while the US dollar's global reserve status remains intact for now, the increasing adoption of multicurrency trade and financial networks could herald a more decentralized and resilient international monetary system.

Keywords: De-dollarization, BRICS Pay, financial sovereignty, multicurrency mercantilism, and global financial architecture.

I. Introduction

There has been growing discontent in the rest of the world with the US Federal Reserve's conduct of monetary policy—believed to have caused wild swings in capital flows and exchange rates, especially in emerging market countries. Furthermore, geopolitical tension has intensified, accompanied by the frequent use of economic and financial sanctions, mainly by the United States and its allies. The growing weaponization of economic and financial tools—such as sanctions, tariffs, and restrictions on global financial networks—has driven the emergence of alternative economic blocs like BRICS (Brazil, Russia, India, China, and South Africa), which seek to reduce dependence on the US-led financial system. Basically, pairs of countries have agreed to settle cross-border trade and investment transactions between themselves in their local currencies, facilitated by bilateral currency swap lines arranged by their central banks. Today, these bilateral cross-border arrangements do not threaten the USD's premier position since no alternative currency has been put forward that is fully convertible and freely usable by anyone anywhere. Nevertheless, they are fragmenting the global payment landscape—which, according to the International Monetary Fund (IMF), creates substantial costs in terms of lost economic efficiency and risks to financial stability as part of the more considerable geopolitically driven fragmentation of the global economy,

Sanctions serve as a non-military coercive instrument, enabling the sanctioning government to compel targeted nations, corporations, or individuals to align with its geopolitical interests (Meyer et al., 2023). Over the past decade, the United States has increasingly relied on economic sanctions as a primary tool of coercion, disrupting international business and reshaping global trade dynamics (Drezner, 2021). The imposition of tariffs, retaliatory restrictions, and financial decoupling have not only strained bilateral relations but also disrupted global supply chains, driving up costs for businesses and consumers alike (Sachs, 2023). This fragmentation threatens global economic growth, deepens inequalities, and fosters an unpredictable economic landscape where non-aligned nations face increasing marginalization. The Biden administration's rhetoric—framing the global order as a struggle between democracies and autocracies—reinforces an exclusionary worldview that perceives rising powers such as

China and Russia as threats rather than legitimate actors in global development. This adversarial stance has fueled global economic uncertainty, prompting countries to explore alternative mechanisms for conducting trade and financial transactions beyond the reach of US influence.

The overuse of economic sanctions and tariffs has fostered resistance, particularly among nations striving for economic sovereignty. One of the key responses to these financial pressures has been the development of alternative cross-border payment systems aimed at reducing reliance on the US dollar (USD) and bypassing Western-controlled financial institutions. Traditionally, global trade and investment transactions have been settled in USD, a practice reinforced by the dominance of the SWIFT financial messaging system. However, dissatisfaction with the volatility caused by US monetary policy and the use of financial leverage as a geopolitical tool has led several countries to explore settlement in local currencies through bilateral currency swap agreements. This shift represents a broader recalibration of global economic power—one driven not merely by resistance to US hegemony but by the practical necessity of fostering a multipolar financial order that accommodates diverse economic interests.

In this context, BRICS has taken a proactive role in reshaping global financial transactions by introducing cross-border payment infrastructure such as BRICS Pay and BRICS Bridge. These initiatives leverage Distributed Ledger Technology (DLT) to create decentralized, transparent, and secure platforms for processing international payments, reducing the need for Western financial intermediaries. BRICS Pay facilitates seamless transactions in national currencies, offering a viable alternative to SWIFT and decreasing exposure to dollar-based economic coercion. Meanwhile, the BRICS Bridge is a settlement platform that enhances financial integration among member states, fostering economic cooperation within the Global South. These innovations represent a significant step toward a multipolar financial order, where emerging economies can assert greater control over their monetary policies and trade relationships. The rise of BRICS and its independent financial systems signals a growing resistance to Western economic dominance and a move toward a more diversified global financial architecture.

This paper investigates the emergence of alternative economic blocs, particularly BRICS, seeking to reduce dependence on the US-led financial system and shift toward financial sovereignty and economic realignment, all of which have been driven by the US Federal Reserve's conduct of monetary policy and the growing weaponization of economic and financial tools—such as sanctions, tariffs, and restrictions on global financial networks. It also explores how BRICS and other alternative economic blocs are actively reshaping global **financial landscape** through initiatives like BRICS Pay and cross-border payment, assessing their implication on de-dollarization, financial system fragmentation, and the broader impact on global economic governance.

The study also examines BRICS's push for an alternative payment system, particularly the development of BRICS Pay and the BRICS Bridge, which aim to facilitate trade in local currencies. These initiatives mark a broader effort to create a financial infrastructure independent of Western control. These innovations' geopolitical and economic implications are significant, as they challenge the existing financial order and signal a move toward a multipolar global economy.

II. Methodology

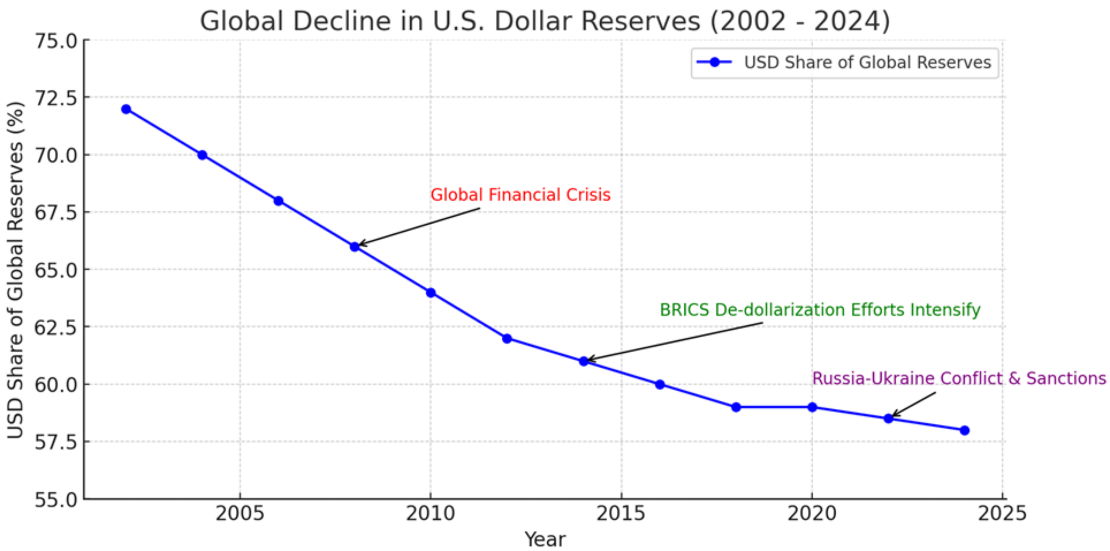
This research employs a qualitative, multi-faceted approach, integrating secondary data analysis and comparative case studies to examine the evolving landscape of global financial realignment. The study leverages a comprehensive review of academic literature, policy documents, and reports from key institutions such as the International Monetary Fund (IMF), the World Bank, and the Bank for International Settlements (BIS). This review aims to establish a robust understanding of the historical and economic contexts driving de-dollarization trends. The research employs comparative case studies focusing on BRICS-led financial initiatives to provide empirical grounding. These include China's strategic utilization of the Renminbi (RMB) in cross-border trade, Russia's development of the System for Transfer of Financial Messages (SPFS) as an alternative to the SWIFT network, and the African Union's Pan-African Payment and Settlement System (PAPSS) and its impact on intra-African trade. The author acknowledges the use of ChatGPT (OpenAI) for drafting assistance and language refinement to enhance the clarity of the manuscript. The AI tool was employed solely for improving readability and structuring sentences, without influencing the analytical, interpretative, or conceptual contributions of the study. All substantive content, analyses, and conclusions were independently developed by the author

Theoretical Framework

The study is grounded in neo-mercantilist theory, which explains state-led efforts to reduce dependency on dominant currencies, and financial sovereignty theory, which explores how nations leverage alternative payment systems to resist economic coercion. A critical international political economy (IPE) lens is applied to assess power shifts in global finance and the challenges to US dollar hegemony.

The US Dollars dominance

The US dollar's dominance as the world's primary reserve currency emerged after World War II and was solidified by the Breton Woods Agreement of 1944. The Breton Woods Conference of 1944 aimed to stabilize the global monetary system, establishing fixed exchange rates and cementing the dollar as the backbone of international finance. This framework established a global monetary system where currencies were pegged to the dollar, which was backed by Gold at a fixed rate of $35 per ounce. By the late 1960s, rising inflation and deficits in the US created doubts about its ability to maintain the dollar's gold convertibility. This culminated in President Richard Nixon's 1971 announcement suspending the dollar's link to Gold and transitioning to a fiat currency system where market forces determine the Dollar's value. Despite this shift, even after the Gold Standard was abandoned in 1971, the dollar retained its pivotal role in international trade and finance, affording the US substantial leverage over global economic activities. According to the Currency Composition of Official Foreign Exchange Reserve (COFER) data from the International Monetary Fund, the dollar continues to dominate Global Finance, representing approximately 57.4% of global foreign exchange reserves as of the third quarter of 2024. This is a downward trend from 59% in 2023 and 58% in the fourth quarter of 2022.



This graph above illustrates the progressive decline of the U.S. dollar's share in global foreign exchange reserves, decreasing from 72% in 2002 to approximately 58% in 2024. Key annotations highlight pivotal global events that have accelerated this trend, including the 2008 Global Financial Crisis, BRICS de-dollarization initiatives, and the Russia-Ukraine conflict and subsequent sanctions. These factors have significantly contributed to the ongoing diversification of global reserves away from the USD, reflecting changing trade dynamics and the rise of alternative currency agreements.

The dominance of the US dollar in the Global Financial system provides the United States with several strategic advantages. Primarily, it enables the US to finance its deficits by issuing dollar-denominated debt in high demand worldwide. The Dollar's preeminence grants the US significant influence over global economic activities through its monetary policy since many countries hold substantial dollar reserves and conduct trade in dollars (Fastepo, 2024). Decisions made by the US Federal Reserve, such as adjusting interest rates, have far-reaching effects on the global economy. For instance, a rise in US interest rates can attract foreign capital, leading to a stronger dollar and impacting global trade balances. This privileged position allows the US to borrow at lower interest rates compared to other nations as international investors seek the safety and liquidity of US Treasury Securities. Consequently, the US can sustain higher trade deficits with postponed economic repercussions- a phenomenon often referred to as the exorbitant privilege.

The United States employs various mechanisms to extend its financial and geopolitical influence. The US utilizes the Dollar's central role in international trade to impose economic sanctions on national entities or individuals engaged in activities contrary to its interests or international norms by restricting access to its financial system and dollar-based transactions (Fastepo, 2024). For example, sanctions against Iran have severely constrained its ability to engage in global trade and access foreign currency reserves. Additionally, the US exerts control over critical financial networks, such as SWIFT, by coordinating with allies to exclude specific nations, effectively isolating them from the global financial system. This strategy was notably used against Russia following its actions in Ukraine, severely restricting its international financial transactions. Asset freezes are another powerful tool that allows the US to restrict access to dollar-denominated assets held by foreign nations, entities, or individuals. In response to Russia's invasion of Ukraine, the US and its allies deployed this tactic, freezing assets of key Russian financial institutions, notably VTB Bank, which controls a substantial portion of Russia's banking sector. This action effectively severed these institutions' access to the US financial system and dollar transactions, severely impacting Russia's financial stability.

Driven by a combination of geopolitical, economic, and technological factors, each of which underscores the bloc's desire for a more equitable and multipolar financial order, the BRICS nations are increasingly seeking financial autonomy to reduce their reliance on Western-dominated financial systems. The imposition of Western sanctions on Russia, particularly after its actions in Crimea and Ukraine, has exposed the vulnerabilities of nations reliant on Western financial systems. Measures such as disconnecting Russian banks from the SWIFT network and freezing Russian central bank reserves have highlighted dependency risks. These actions have underscored the urgent need for independent financial infrastructure to safeguard against such economic coercion and ensure economic sovereignty in global transactions. BRICS nations, led by China and Russia, oppose the dollar's dominance in global finance, arguing it enables US control over transactions and sanctions. Their dissatisfaction with Western-led institutions like the IMF and World Bank has fueled efforts to reduce dollar reliance and develop alternative financial systems.

Key Issues with US Economic Management That Concern the Rest of the World

Many countries have expressed concerns about how the US Federal Reserve (Fed) manages monetary policy, particularly its impact on global financial stability. These concerns, along with the broader weaponization of the US dollar through sanctions and financial restrictions, have driven some nations to shift towards Gold to diversify and insulate their foreign reserves from US economic policies.

1. Interest Rate Volatility and Capital Flight

The Fed's rate hikes, particularly aggressive ones like those seen in 2022-2023, can lead to massive capital outflows from emerging markets. Investors seeking higher yields return their money to the US, weakening emerging market currencies and increasing their borrowing costs. Also, countries heavily reliant on external debt struggle with debt servicing when the USD strengthens, leading to financial instability.

2. Inflation Exportation and Exchange Rate Shocks

The Fed's policy decisions affect global inflation. When the US prints more money (quantitative easing), it floods global markets with cheap dollars, driving inflation in other countries. Equally, when the Fed tightens (raises interest rates), the USD strengthens, making imports for developing nations more expensive and worsening trade imbalances. This volatility makes it difficult for emerging markets to plan their economic policies effectively.

3. Weaponization of the Dollar and Sanctions

The US has increasingly used its financial dominance to impose sanctions on countries like Russia, Iran, and Venezuela. Countries fear that being too reliant on USD-based financial systems (like SWIFT) makes them vulnerable to economic coercion. This has prompted moves to de-dollarize trade and build alternative financial infrastructure, such as BRICS Pay and China's CIPS.

4. Erosion of Confidence in US Debt

The US debt burden has surpassed $34 trillion, raising concerns about the sustainability of its fiscal policies. Repeated political crises over debt ceilings and government shutdowns create uncertainty about US Treasury bonds, traditionally considered "risk-free" assets. Some nations fear overexposure to US debt instruments could backfire if confidence in the US economy erodes further.

The Quest for the New Economic Order

The inherited institutions of international economic governance—such as the International Monetary Fund (IMF), the World Bank, and the World Trade Organization (WTO)—have long been criticized for their inadequacy in addressing the developmental needs of the Global South (Amin, 1976; Bello, 2004). The global economic system is driven by neoliberal policies and dominated by transnational corporations and international financial institutions like the IMF and World Bank. It is believed to prioritize profit over people and the planet, leading to increased inequality, environmental degradation, and social dislocation. This system inherently produces and perpetuates unequal development, with the developed economies dominating. At the same time, the developing countries are exploited with their modes of production distorted and subordinated to the needs of the developed economies, resulting in a fragmented and dependent economy that cannot achieve autonomous development (Bello, 2004). The economic imperialism of the developed countries creates a cycle of dependency on the developing economies as a permanent feature that the multinational corporations and international financial institutions help to cement. This critique has been central to decades of organizing among Third World countries, mainly through initiatives like the Non-Aligned Movement (NAM) and the Group of 77 (G77), which sought to reform the global economic order in favour of more equitable development (G77, 1974).

Historical Background and the Call for a New International Economic Order (NIEO)

The demand for a New International Economic Order (NIEO) emerged in the 1970s as a collective response by developing nations against the economic structures imposed by Western-dominated financial institutions. The NIEO was formally articulated in 1974 through a UN General Assembly resolution led by the G77 and Non-Aligned Movement countries (United Nations, 1974). The key motivations behind the New International Economic Order (NIEO) were rooted in the widespread economic dependence and inequality experienced by many post-colonial nations. These countries were entrenched in a global trade system that disproportionately favoured industrialized Western economies, as Frank (1967) highlighted. Commodity-exporting developing nations, in particular, had minimal control over pricing mechanisms, rendering them highly vulnerable to volatile market fluctuations, a concern articulated by Prebisch (1950). This systemic imbalance fueled demands for a more equitable global economic framework.

Another critical motivation was the perception of unfair trade and financial systems. Institutions like the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization (WTO), were seen as mechanisms that primarily benefited wealthier nations. These organizations implemented policies that protected Western industries while pressuring developing countries to adopt free-market liberalization, often to their detriment, as argued by Stiglitz (2002). The International Monetary Fund (IMF) and the World Bank also imposed structural adjustment programs (SAPs) on developing nations, which mandated severe budget cuts in essential services such as healthcare and education. These measures exacerbated poverty and inequality, as Bello (2004) noted, further intensifying calls for reform.

A central demand of the NIEO was greater sovereignty over natural resources. Developing nations sought to reclaim control over their own resources, challenging the dominance of multinational corporations that extracted wealth without adequately reinvesting in local economies, a critique emphasized by Amin (1976). The success of OPEC in the 1970s, where oil-rich nations collectively negotiated fairer prices, demonstrated the potential for resource-rich countries to assert their economic interests, as illustrated by Khan (1984). This example inspired other developing nations to push for similar autonomy and fairer terms in global economic dealings.

The debt crisis of the 1980s further underscored the need for a new economic order. Developing nations were disproportionately burdened by high-interest loans from Western banks, which deepened their economic dependency and stifled **development (Toussaint, 1999).** Despite calls for debt relief and restructuring, institutions like the IMF and World Bank largely ignored these pleas, perpetuating financial imbalances and exacerbating the crisis, as Sachs (2005) pointed out. This financial stranglehold reinforced the urgency for systemic changes to address global economic inequities.

Outcomes and Resistance to NIEO

Despite its strong backing from the Global South, the New International Economic Order (NIEO) faced significant resistance from Western powers, particularly the United States and Europe, which viewed its demands as a direct threat to their economic dominance (Helleiner, 2014). This opposition was crucial in limiting the NIEO's impact and implementation. By the late 1980s, the rise of neoliberal globalization, championed through the Washington Consensus, further undermined the NIEO's objectives. The Washington Consensus promoted policies such as privatization, deregulation, and financial liberalization, which ran counter to the NIEO's vision of equitable development and sovereignty for developing nations (Williamson, 1990). These neoliberal policies prioritized market-driven solutions and global integration, often at the expense of local economies and social welfare in the Global South.

The establishment of the World Trade Organization (WTO) in 1995 marked another setback for the NIEO's aspirations. The WTO's entrenched trade policies disproportionately favoured Western economies, reinforcing the structural inequalities the NIEO sought to address. Developing nations found themselves bound by rules and agreements that limited their ability to protect domestic industries or pursue alternative development strategies, as highlighted by Stiglitz (2002). This further marginalized the voices and interests of the Global South within the global economic system.

Contemporary Challenges and Alternative Globalization

Although the New International Economic Order (NIEO) was never fully realized, its core concerns about global economic inequality, sovereignty, and fair development remain highly relevant today. In response to these enduring challenges, developing nations have pursued alternative forms of economic governance and cooperation to counterbalance the dominance of Western-led institutions and create more equitable systems. One prominent example is the rise of BRICS—an alliance comprising Brazil, Russia, India, China, and South Africa—which has emerged as a significant counterweight to traditional Western financial institutions. BRICS represents a collective effort to challenge the existing global economic hierarchy and advocate for a more multipolar world order (Hopewell, 2022). By fostering collaboration among major emerging economies, BRICS aims to amplify the voices of the Global South and reshape global economic policies to reflect their interests better.

Another critical development in this context is the growing trend of de-dollarization. Many developing nations are actively working to reduce their reliance on the US dollar in international trade and finance. This shift is evident in the increasing use of local currency trade agreements, which allow countries to bypass the dollar and conduct transactions in their own currencies. As noted by Gallagher (2022), such efforts not only enhance financial sovereignty but also mitigate the risks associated with dollar-denominated debt and US monetary policy fluctuations. De-dollarization represents a strategic move to weaken the structural dominance of the US dollar in the global economy and create a more diversified and resilient financial system.

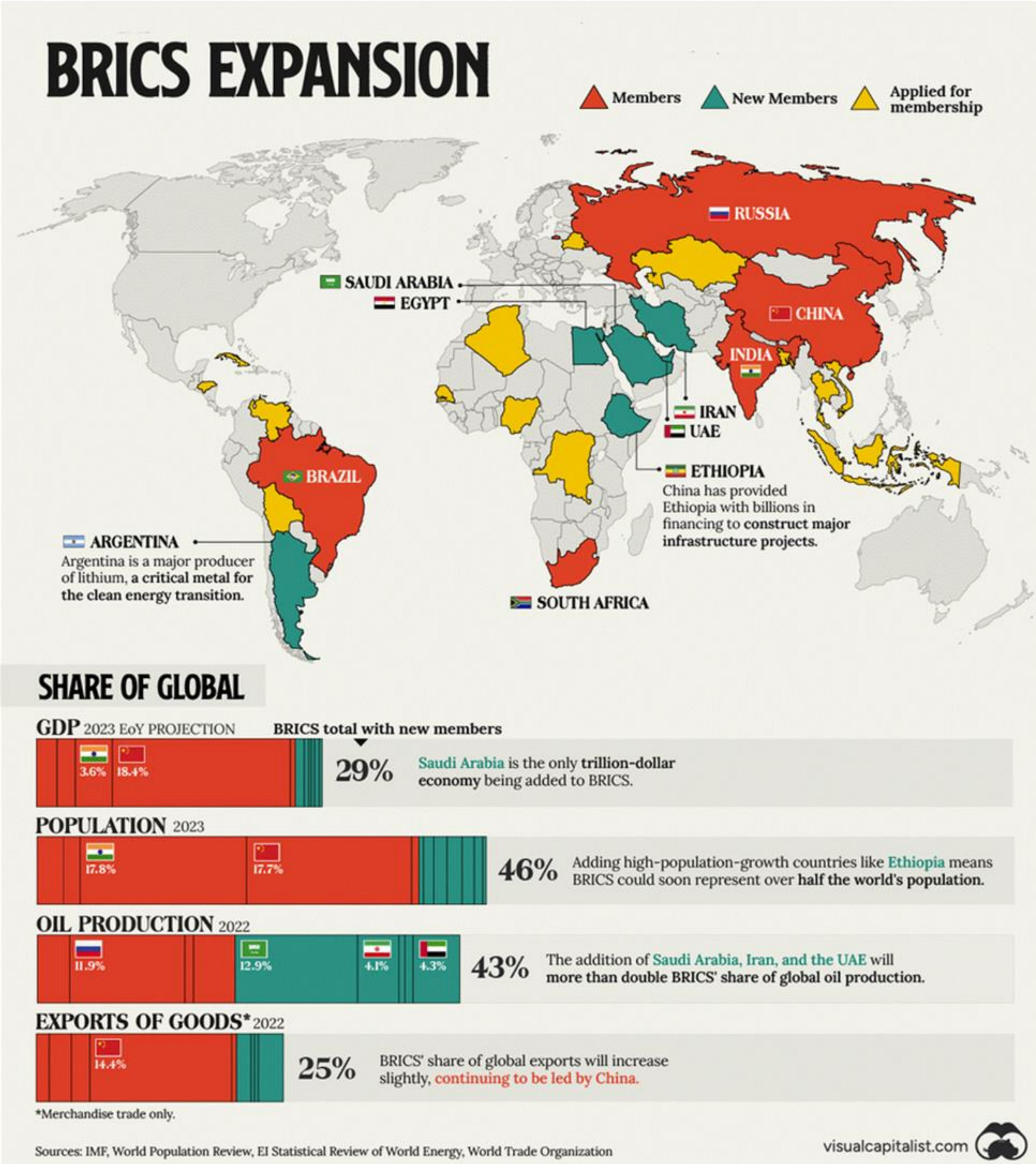
In addition to these efforts, establishing new development banks has provided developing nations with alternative financing sources outside the IMF and World Bank frameworks. Institutions like the Asian Infrastructure Investment Bank (AIIB) and the BRICS-led New Development Bank (NDB) have emerged as key players in global development finance. These banks prioritize infrastructure projects and sustainable development in the Global South, offering loans and investments with fewer conditionalities than their Western counterparts. As Chin (2019) observes, these institutions reflect a broader shift toward creating parallel systems of economic governance that are more inclusive and responsive to the needs of developing countries.

BRICS Bloc

The BRICS bloc—an alliance of Brazil, Russia, India, China, and South Africa—formally established in 2009 has emerged as a formidable coalition of major emerging economies seeking to reshape the global financial architecture long dominated by Western powers. BRICS has evolved from a symbolic association into a strategic economic force with three key objectives. First, BRICS nations are actively working to reduce their dependence on the US dollar in international trade, promoting settlements in local currencies as a strategic response to United States' financial sanctions and dollar hegemony. This de-dollarization effort gained particular momentum following Russia's development of alternative payment systems after the 2014 sanctions and China's push for Yuan internationalization.

Second, the primary focus involves enhancing financial sovereignty by creating parallel institutions. Most notably, BRICS has established the New Development Bank (NDB) to finance infrastructure projects across the Global South and the Contingent Reserve Arrangement (CRA) as a liquidity safety net—both designed as alternatives to Western-dominated financial institutions. Additionally, member states are developing payment systems like Russia's SPFS and exploring a potential BRICS Pay mechanism to reduce reliance on the SWIFT network, particularly after Russia's exclusion from SWIFT in 2022 demonstrated the vulnerabilities to Western-controlled financial infrastructure. Perhaps most ambitiously, BRICS serves as a vehicle for fostering a multipolar world order. The bloc's 2023 decision to expand membership to include Egypt, Ethiopia, Iran, Saudi Arabia, and the UAE reflects its growing geopolitical influence. This expansion not only increases the group's economic weight but also its capacity to challenge traditional Western hegemony in global governance forums like the IMF and WTO. The inclusion of major energy producers like Saudi Arabia and Iran has particularly strengthened BRICS' position in global commodity markets.

BRICS now accounts for approximately 29.3% of global GDP, amounting to $30.8 trillion, and represents 46% of the world's population. The inclusion of major oil-producing nations, such as Saudi Arabia and the UAE, has significantly increased BRICS's share of global oil production, rising from 20.4% to 42% according to the Center for Strategic and International Studies reports, solidifying the bloc's role as a key player in global energy markets.



This chart shows the expanded BRICS bloc's substantial share of global GDP, population, oil production, and goods exports. With the addition of Egypt, Ethiopia, Iran, and the UAE, BRICS now represents about 46% of the world's population and 35% of global GDP (PPP), signaling its growing global economic influence.

The expanded BRICS bloc has significantly increased its influence over critical mineral supply chains, notably rare earth elements. Following the inclusion of new members, BRICS countries now control approximately 72% of global rare earth reserves (TASS, 2024). This consolidation potentially positions the bloc to reshape global trade patterns and investment strategies. Historically, BRICS members like China and Russia have implemented export restrictions on key materials to safeguard and promote their strategic objectives. For instance, China has previously banned the export of technologies essential for processing and refining rare earths, citing national security concerns (Polytechnique Insights, 2023). Such measures underscore the bloc's capacity to influence global supply chains and assert its strategic interests.

BRICS has significant economic influence, which it aims to leverage to strengthen its collective bargaining power on the global stage and counterbalance Western-dominated financial structures. To this end, the bloc has explored trade mechanisms using national currencies, reducing exchange costs, minimizing currency fluctuations, and bypassing Western financial intermediaries. This shift enhances seamless trade within BRICS while reducing reliance on external systems. The rise of a multipolar geopolitical landscape has further emboldened BRICS to challenge Western-centric systems and push for reforms in global institutions like the UN and IMF.

Multicurrency Mercantilism: The Shift in Global Trade and Finance

Multicurrency mercantilism describes the strategy for countries to reduce reliance on a single dominant currency, such as the US dollar, and diversify trade settlements using multiple currencies. This shift has been driven by economic nationalism, geopolitical tensions, and the need to shield national economies from the vulnerabilities of dollar dependency and Western-controlled financial systems (Eichengreen, 2022).

Western economic sanctions on Russia, Iran, and others have accelerated efforts to develop alternative trade and payment systems. In response, Russia and China have increased trade in rubles and Yuan while BRICS nations are discussing a common settlement system (Eichengreen, 2022). Countries are settling trade in local currencies rather than relying on the US dollar. ASEAN, India, and the Gulf nations increasingly use local currency settlements in energy and commodities trade (Hopewell, 2023). Nations are also reducing foreign reserves held in US dollars and increasing holdings in Gold, Yuan, and regional currencies. China's Cross-Border Interbank Payment System (CIPS) and Russia's Financial Messaging System of the Bank of Russia (SPFS) are emerging as alternatives to SWIFT (Helleiner, 2021). Additionally, countries like China (e-CNY), India (Digital Rupee), and the EU (Digital Euro) are promoting state-backed digital currencies for cross-border trade, while BRICS nations are considering a blockchain-based cross-border payment system (Gallagher, 2022).

Multicurrency mercantilism offers a transformative shift in global trade by allowing nations to transact in local or regional currencies, reducing dependence on the US dollar and the Western-controlled financial system (Tyson, 2023). Unlike the Bretton Woods II system, the US cannot veto bilateral trade agreements or domestic financial regulations that enable local currency settlements. Payments in local currencies or Vostro accounts improve the tracking of trade proceeds, enhance export tax collection, and reduce trade evasion through tax havens. Countries can gradually adapt to the system, as seen with Russia's rubles-for-energy policy in 2022, which stabilized Russia's economy under sanctions and led to the ruble becoming the year's best-performing currency. Trading in local currencies reduces exchange rate volatility, enhances credit ratings, and strengthens financial sovereignty. Multicurrency trade eliminates reliance on commercial banks strained by AML-CTF (Anti-Money Laundering and Counter-Terrorist Financing) regulations, making it easier for small and medium-sized exporters to participate in global trade.

Countries trading in their local currency become less vulnerable to financial warfare and external economic pressures, a key factor given the historical consequences of US sanctions since 1949. Local currency trade enhances domestic production and consumption, countering the undervaluation of labour and resources in dollarized trade models. Unlike proposed digital or synthetic reserve currencies, existing financial infrastructure can support this system, allowing rapid adoption. As more countries trade in alternative currencies, global demand for the dollar may decline, weakening the US's ability to impose economic sanctions effectively. China, Russia, and BRICS nations are forming a parallel financial system, with the Gulf States' shift to accepting Yuan for oil payments signaling a multicurrency energy trade. While reducing dollar dependency, trading in multiple currencies increases conversion costs and exchange rate risks. This could lead to regional currency blocs, where certain currencies dominate specific regions. The global financial landscape is shifting towards a more decentralized, multipolar order. Whether this transition leads to greater economic resilience or increased volatility depends on how well these emerging financial structures integrate and adapt to geopolitical realities.

Global Shift toward De-Dollarization: Promoting Local Currency Trade and Economic Sovereignty

Several countries and regional blocs have taken steps to reduce dependence on major foreign currencies, such as the US dollar, and promote local currency trade to enhance economic sovereignty. These efforts are part of a broader global trend toward de-dollarization, driven by geopolitical tensions, economic diversification, and the pursuit of financial sovereignty. Here are some key initiatives worldwide:

China's RMB in bilateral cross-border payments

China's RMB has emerged as the most advanced currency used for bilateral cross-border payments. This has been facilitated by an extensive network of bilateral currency swap agreements the People's Bank of China (PBOC) has signed with central banks of more than 40 countries as of February 2024 (State Council of China, 2024b). Thirty-one of these agreements are active, totaling approximately 4.16 trillion Yuan (about $586 billion). The balance of funds activated from those currency swap lines reached a record 19 billion Yuan ($15.6 billion) at the end of March 2023. Consequently, China has used the RMB to settle about half of its cross-border trade and investment transactions—surpassing the now second-ranked USD. More generally, the IMF has found that for a sample of 125 economies, the median usage of RMB in cross-border payments with China increased from 0 percent in 2014 to 20 percent in 2021; for a quarter of that sample, the RMB usage has risen to 70 percent (Perez-Saiz & Zhang, 2023).

Going forward, two developments are worth watching. Firstly, the RMB has only been used bilaterally between other countries. Recently, however, the RMB has been allowed to be used to pay a third party—for example, India to pay for oil imports from Russia, and Argentina to pay off some of its debt from the IMF. In a move that could reshape global energy markets, China is pushing its petroyuan initiative, urging Middle Eastern oil producers, particularly Saudi Arabia, to accept Yuan payments for oil, directly challenging the US dollar's dominance in the sector. These isolated events could herald a possible multilateralization of the international use of the RMB—a development with important implications.

India promotes the rupee (INR) in cross-border payments

India has recently increased its efforts to promote the use of its currency (the INR) through a bilateral Rupee payment mechanism in cross-border payments. India has signed agreements with several countries, including Russia, Sri Lanka, and the UAE, to settle trade in Indian rupees. The latest example was the agreement signed on July 15, 2023 between India and the UAE to settle their trade in INR. In fact, India has had a long history of using the INR to settle trade with South Asian countries (members of the South Asian Association for Regional Cooperation—SAARC include Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka). In 2012, the SAARC Currency Swap Facility was launched for all eight members. The Asian Clearing Union (ACU), comprising central banks from countries including Iran and Myanmar, has agreed to transition towards settling trade in local currencies, such as the Indian Rupee (INR), to reduce dependence on the US dollar.

In order to internationalize the rupee, the Reserve Bank of India (RBI) is promoting the rupee as a global trade currency by allowing foreign banks to open rupee accounts. More generally, India has allowed banks from 22 countries to open so-called Special Vostro Rupee Accounts (SVRCs) with banks in India to carry out receipt and payment transactions vis-à-vis Indian entities for their business and individual clients in their home countries (The Economic Times, 2023). Since India's share of world trade is quite small—only 1.8 percent compared to China's 15 percent—the usage of the INR in cross-border payments will likely be less extensive than that of the RMB.

Russia's Ruble in Bilateral cross-border Payments

Russia has been actively promoting the use of the ruble in bilateral cross-border payments, particularly with nations like China and India, to mitigate the impact of Western sanctions and reduce dependence on the US dollar (Reuters, 2025a). In recent years, Russia and China have increasingly conducted trade using their national currencies, the ruble and the Yuan. This move facilitates smoother transactions and diminishes exposure to potential sanctions (Bloomberg, 2022). Similarly, Russia has proposed alternatives to the SWIFT payment system, such as the System for Transfer of Financial Messages (SPFS), to maintain the flow of cross-border payments with countries like India (Bloomberg, 2022). This strategic shift is part of a broader "de-dollarization" effort to enhance financial sovereignty and circumvent economic restrictions (CEPR, 2025).

In March 2022, President Vladimir Putin signed a decree requiring "unfriendly" countries to pay for Russian gas in rubles. According to TASS, 54 foreign companies have opened special K accounts with Gazprombank (which has not been excluded from SWIFT) to convert payments in a major currency into rubles before settling with a Russian gas exporter (TASS, 2022). This requirement aims to generate demand for rubles vis-à-vis major currencies and promote the use of rubles in cross-border payments bypassing the USD.

Regional Initiatives Promoting Local Currency Trade and Economic Sovereignty

The African Union's Pan-African Payment and Settlement System (PAPSS)

The Pan-African Payment and Settlement System (PAPSS) is a transformative financial infrastructure developed by the African Union (AU) in collaboration with the African Export-Import Bank (Afreximbank) to facilitate seamless cross-border transactions across Africa. Officially launched in January 2022, PAPSS was designed to eliminate one of the biggest obstacles to intra-African trade: the reliance on foreign currencies—primarily the US dollar and euro—for settlements between African nations. As a cross-border financial market infrastructure, PAPSS enables businesses across the continent to conduct trade in local currencies, reducing dependency on costly and often restrictive correspondent banking relationships, which typically involve financial intermediaries outside Africa. By connecting commercial banks, payment service providers, fintech firms, and central banks, PAPSS offers a streamlined payment and settlement service that could save African businesses an estimated $5 billion annually in transaction costs (Obasun, 2022).

Before PAPSS, intra-African trade was burdened by high transaction costs, long processing times, and currency exchange rate risks. Many businesses had to first convert local currencies into dollars or euros before trading with neighbouring countries, adding unnecessary costs and inefficiencies. PAPSS eliminates this bottleneck by enabling instant settlement in local currencies, thereby reducing transaction costs, accelerating trade flows, and improving financial accessibility for businesses across the continent. PAPSS plays a pivotal role in implementing the African Continental Free Trade Area (AfCFTA), which seeks to create a unified African market by eliminating trade barriers. By providing a standardized payment system, PAPSS strengthens regional economic integration, reduces reliance on external financial institutions, and enhances financial sovereignty. With this system in place, African nations can trade more efficiently without the need for Western-controlled financial intermediaries, reducing exposure to currency volatility and geopolitical risks.

The Pan-African Payment and Settlement System (PAPSS) is progressively being adopted across Africa to enhance cross-border trade by enabling transactions in local currencies. As of March 2025, PAPSS is integrated with approximately 150 commercial banks and supported by 15 central banks on the continent (Reuters, 2025b). To further enhance its utility, PAPSS plans to launch the Africa Currency Marketplace later this year. This platform aims to facilitate direct exchanges of local currencies, reducing reliance on intermediate currencies like the US dollar and addressing liquidity issues in cross-border transactions (Reuters, 2025b). While comprehensive data on transaction volumes and the full extent of PAPSS's adoption remain limited, these developments indicate a concerted effort to bolster intra-African trade through financial integration.

The introduction of PAPSS is expected to significantly boost intra-African trade, which currently accounts for just 17% of total African trade, compared to nearly 60% in Asia and 70% in Europe. The system's success hinges on regulatory harmonization, widespread adoption, and sufficient liquidity in local currencies. Additionally, its effectiveness will depend on the willingness of African central banks, financial institutions, and policymakers to collaborate in overcoming operational and technical barriers. Despite progress, PAPSS faces challenges that may impact its broader adoption, including governmental hesitancy, infrastructure fragmentation, currency volatility, and technological limitations (Ghenna, 2025).

ASEAN local currency cross-border payments in a multilateral setting

The Association of Southeast Asian Nations (ASEAN) has been actively promoting the use of local currencies in cross-border transactions to reduce reliance on major foreign currencies, such as the US dollar. In March 2016, Thailand and Malaysia agreed to launch the Local Currency Settlement Framework (LCSF), which allows businesses in either country to source baht or ringgit from banks in their home country to settle bilateral trade transactions. In 2017, Indonesia, Malaysia, Thailand, and the Philippines signed agreements to utilize local currencies in bilateral trade. These agreements were part of a broader strategy to strengthen financial resilience and promote economic integration among ASEAN countries.

In May 2023, during the ASEAN Summit in Indonesia, central banks in the region agreed to enhance regional connectivity and adopted harmonized guidelines further to promote local currency usage (Tran,2023). For instance, the Bank of Thailand (BOT), Bank Indonesia (BI), and Bank Negara Malaysia (BNM) adopted the harmonized Local Currency Transaction Framework Operational Guidelines (LCTF OG) and expanded the scope of eligible cross-border transactions under the framework. This framework aims to enhance efficiency in cross-border transactions, mitigate exchange rate risks, and reduce dependence on foreign currencies. A key feature of the updated framework is the inclusion of portfolio investments as eligible underlying transactions alongside trade in goods and services and direct investments (The Legal Co., 2025). This expansion offers investors greater opportunities to conduct transactions in local currencies, reducing their exposure to exchange rate volatility and fostering deeper regional financial integration.

More recently, the central banks of Indonesia, Malaysia, Singapore, and Thailand have implemented a contactless QR-code-based local currency payment system for residents in those countries—payments can be made in the local currency from the digital wallet of the sender in one country and received in the local currency of another country with the exchange carried out through the central banks involved, without using the USD or RMB as an intermediary. This arrangement is expected to promote financial inclusion since many remain unbanked in this region. These collective efforts signify ASEAN's commitment to fostering economic stability and integration by encouraging the use of local currencies in regional trade and investment.

The European Union

The European Union has been actively working to reduce its reliance on the US dollar. One of its primary strategies involves promoting euro-based trade agreements that minimize exposure to US financial policies and sanctions. A notable example is the INSTEX (Instrument in Support of Trade Exchanges) mechanism, developed by the EU to facilitate trade with Iran in euros, effectively bypassing US sanctions. This initiative underscores the EU's commitment to strengthening the euro's role in international trade and reducing dollar dependency.

Latin America

Latin America has also made strides in promoting local currency trade. Brazil and Argentina, for instance, have been exploring the use of their national currencies for bilateral trade, moving away from the US dollar. Additionally, Brazil has proposed the creation of a common digital currency for Mercosur nations, which would streamline cross-border transactions and further reduce dependence on the dollar. These initiatives reflect the region's growing emphasis on regional cooperation and financial autonomy.

Middle East

In the Middle East, de-dollarization trends are gaining momentum. Saudi Arabia, a key player in the global oil market, has expressed interest in accepting the Chinese Yuan for oil sales, challenging the longstanding petrodollar system. Similarly, the UAE and India have signed an agreement to settle the oil trade in Indian rupees, marking a significant shift away from dollar-denominated transactions. These developments highlight the region's strategic efforts to diversify its economic partnerships and reduce vulnerability to US financial policies.

These global initiatives collectively illustrate a significant shift away from the US dollar's dominance in international trade. Countries and regional blocs are enhancing their economic sovereignty and reshaping the global financial landscape by promoting local currencies and developing alternative payment systems. This trend will continue as nations seek greater control over their economic destinies in an increasingly multipolar world.

BRICS and the Path to De-Dollarization:

BRICS is actively working to reduce global dependence on the US dollar by promoting local currency trade and fostering economic resilience among its member nations. The BRICS Summit held August 22-24, 2023 in Johannesburg agreed to promote the accelerated use of local currencies in cross-border payments among member countries. Institutional building blocks for this have been under development, such as the BRICS Interbank Cooperation Mechanism (to facilitate cross-border payments in local currencies among banks in the group) and BRICS Pay (a digital payment platform is under development to facilitate trade in local currencies among BRICS nations.).

Countries in the group have already had bilateral agreements to use local currencies for cross-border payments. New Development Bank (NDB) has issued loans in local currencies to reduce dependence on Western financial institutions. China has made significant progress in conducting 53% of its trade in the Yuan, over 90% of trade between Russia and China is now settled in the Yuan or Ruble, and 80 countries have committed to adopting local currency trade as a policy, reflecting a growing global movement toward financial sovereignty. Key insights into BRIC's path to the adoption of local currency for cross-border payment include:

Local Currency Trade

BRICS has made local currency trade a primary objective, aiming to reduce reliance on the US dollar and enhance economic resilience among member nations. This shift reflects a broader desire for financial sovereignty and independence from Western-dominated financial systems. China's leadership in this area is particularly notable, with 53% of its trade now conducted in Yuan. At the same time, Russia and China have largely abandoned the dollar in their bilateral trade, settling over 90% of transactions in Yuan or Ruble.

Yuan Dominance

China's growing use of the Yuan in international trade is a significant step toward de-dollarization. This trend not only reduces China's dependency on the dollar but also influences other nations to adopt similar practices, potentially reshaping global trade dynamics. The Yuan's rising prominence underscores the shifting balance of economic power and the increasing appeal of non-dollar trade arrangements.

Economic Security

The threat of dollar sanctions has driven many countries to prioritize currency optionality as a matter of economic and national security. Nations are increasingly unwilling to allow their economic futures to be held hostage by the US dollar's geopolitical leverage. This has led to a surge in efforts to develop local currency trade systems and alternative financial infrastructures.

Global Movement

The decision by 80 countries to adopt local currency trade as a policy signals a profound shift in the global economy. This collective move toward a more diverse monetary landscape challenges the traditional dominance of the dollar and encourages the creation of parallel financial systems that better serve the needs of developing and emerging economies.

Inadequate Institutions

The existing international financial institutions, such as the IMF and World Bank, have been criticized for failing to address the developmental needs of many countries. This inadequacy has prompted BRICS to seek alternatives, including new financial instruments and investment opportunities that reduce reliance on dollar-denominated assets.

Investment Alternatives

BRICS countries are actively exploring innovative financial tools and investment avenues to diversify their economic portfolios and minimize exposure to the dollar. This proactive approach reflects a commitment to economic independence and a rejection of the one-size-fits-all policies often imposed by Western financial institutions.

Diversity in Monetary Policy

Recognizing the unique economic contexts of different countries, BRICS emphasizes the need for tailored monetary policies. This approach contrasts sharply with the rigid frameworks often advocated by international financial institutions, highlighting the bloc's commitment to flexibility and inclusivity in economic governance.

BRICS Nations Forging New Financial Pathways Through Local Currency Settlements

The BRICS alliance is spearheading a transformative shift in global trade finance through strategic bilateral agreements that replace the US dollar with local currencies. From China-Brazil trade settlements in Yuan and reals to Russia's financial integration with Iran and India, these partnerships challenge dollar hegemony while creating more resilient economic networks. This analysis examines four landmark BRICS de-dollarization initiatives.

China-Brazil Trade: Transitioning to Local Currencies

China and Brazil signed agreements to settle trade in Chinese Yuan (CNY) and Brazilian real (BRL) in 2023, marking a significant step toward de-dollarization (Reuters, 2023). According to data from the China General Administration of Customs, China and Brazil have emerged as key players in the BRICS Pay initiative, with bilateral trade reaching approximately $165.60 billion in 2022 (*Devonshire-Ellis*, 2023). As Brazil's largest trading partner, China has been instrumental in promoting the use of local currencies for trade settlements. Transitioning from the US dollar to the Chinese Yuan and the Brazilian real is expected to:

1. Reduce Conversion Costs: Eliminating the need for dollar conversions lowers transaction fees and minimizes exchange rate risks.
2. Enhance Financial Independence: By bypassing the dollar, both nations reduce their vulnerability to US economic policies and sanctions.
3. Strengthen Bilateral Ties: Local currency settlements foster closer economic cooperation and trust between the two nations.

Iran-Russia Financial Integration: Evading Sanctions

Iran and Russia have made remarkable progress in integrating their financial systems to circumvent Western sanctions and boost bilateral trade. This collaboration has yielded several key developments that underscore their commitment to economic independence and mutual growth. One of the most notable achievements is the integration of their national payment networks. In early 2023, Iran's SEPAM national financial messaging service was connected to Russia's Financial Messaging System of the Bank of Russia (SPFS), an alternative to SWIFT. This linkage allows Iranian banks to access Russian financial institutions and over 100 banks in 13 other countries through the SPFS network (Motamedi, 2023). This move has enabled both nations to conduct financial transactions directly in their respective currencies, the ruble and rial, bypassing the US dollar and reducing reliance on Western-dominated systems. As a result, over 96% of trade between Iran and Russia is now conducted in their national currencies, significantly mitigating the impact of Western sanctions (IntelliNews, 2024).

Further deepening this financial integration, Iran's Central Bank integrated its Shetab interbank network with Russia's Mir payment system in July 2024. This development allows Russian tourists and businesses to use Mir cards in Iran (TASS, 2024), facilitating smoother financial interactions. By November 2024, Iranian bank cards also became usable in Russia, enabling easier payments and cash withdrawals for Iranian citizens and strengthening commercial ties between the two nations (The Moscow Times, 2024). The impact of these measures has been substantial. The integration has enabled Iran and Russia to issue letters of credit, conduct transfers, and provide guarantees without relying on SWIFT. This has not only reduced the impact of Western sanctions but also boosted bilateral trade, which increased by 12.4% in 2024, reaching over $4 billion. Both countries aim to expand this trade volume further in the near future.

Russia's VTB Bank has played a pivotal role in strengthening these ties by launching services that facilitate seamless money transfers between the two countries. These efforts are part of a broader strategy within BRICS to foster stronger economic alliances and reduce reliance on Western financial systems. By linking their payment systems and promoting the use of national currencies, Iran and Russia are paving the way for greater economic cooperation and resilience in the face of global financial challenges.

India-Russia Energy Trade: Local Currency Settlements

India and Russia have also embraced local currency settlements, particularly in the energy sector. Following Western sanctions on Russia in 2022, both nations increased the use of the Indian rupee (INR) and the Russian ruble (RUB) for trade. Key highlights include:

1. Energy Trade: In 2023, Russia became India's largest crude oil supplier, with a significant portion of transactions settled in INR (Economic Times, 2024).
2. Dollar Avoidance: By sidestepping dollar-based payment systems, both nations have protected themselves from external economic pressures and enhanced their financial sovereignty.

The India-Russia energy trade agreement has set a precedent for other BRICS nations to adopt similar local currency arrangements.

The BRICS local currency initiatives represent more than technical, financial adjustments—they embody a fundamental rethinking of economic sovereignty in an era of weaponized dollar dominance. As these mechanisms mature, they could catalyze a broader systemic shift toward multipolar finance, though their ultimate success hinges on institutionalizing cooperation amidst geopolitical tensions within the expanding bloc.

BRICS's Push for an Alternative Payment System

The recent BRICS summit in Kazan, Russia, highlighted the alliance's efforts to establish an independent financial system, to break free from Western financial dominance, particularly through alternative payment systems and economic structures. One key initiative is the development of a BRICS-wide financial network to bypass the SWIFT payment system, which the West has historically used as a geopolitical tool. Russia's removal from SWIFT following the Ukraine conflict demonstrated how financial infrastructure can be leveraged for political purposes, prompting BRICS nations to seek independent solutions (Innovation Diary, 2024).

India's Unified Payments Interface (UPI) has been proposed as a model for a digital payment system that could facilitate cross-border transactions among BRICS nations, reducing dependency on Western financial institutions. Additionally, economic initiatives such as Brazil's push for a new banking system, Iran's proposed energy transportation network, and Russia's Grain Exchange plan reflect BRICS' broader strategy to create self-sustaining financial frameworks (Innovation Diary, 2024). These efforts align with the ongoing push for de-dollarization, where BRICS members seek to conduct trade in local currencies rather than the US dollar. While challenges remain, including the dollar's entrenched role in global reserves, BRICS' initiatives signal a shift toward a multipolar economic order.

BRICS Pay: Advancing Financial Independence and Geopolitical Realignment

BRICS is developing an independent financial framework to reduce reliance on Western-dominated systems and assert greater influence in global economic policies. Advancements in blockchain and distributed ledger technology provide innovative tools to bypass traditional financial networks like SWIFT, creating systems more resilient to external manipulation or sanctions. Key initiatives like BRICS Pay and BRICS Bridge leverage Distributed Ledger Technology (DLT) to facilitate secure, decentralized cross-border transactions, minimizing dependence on SWIFT and mitigating risks from sanctions.

BRICS Pay enables transactions in national currencies, decreasing reliance on the US dollar, while BRICS Bridge functions as a settlement platform for direct transactions between member states. These initiatives strengthen economic ties within the bloc and enhance financial autonomy. Formally unveiled at the October 2024 16th BRICS Summit in Kazan, Russia, BRICS Pay represents a groundbreaking effort to circumvent SWIFT’s vulnerabilities by offering a decentralized, transparent, and secure alternative. This architecture eliminates SWIFT’s single point of failure, historically exploited for geopolitical leverage. By leveraging blockchain, BRICS Pay fosters financial sovereignty, reduces reliance on Western networks, and mitigates foreign exchange risks, particularly in response to Western sanctions and dollar dominance.

Key features of BRICS Pay include:

1. **Decentralized Networks**: Blockchain enables direct peer-to-peer transactions, eliminating intermediaries and facilitating real-time settlements.

2. **Distributed Ledger Technology (DLT)**: DLT ensures immutable transaction records and supports smart contracts for automated currency conversions and compliance procedures.
3. **Interoperability**: BRICS Pay seamlessly integrates national payment systems with existing financial systems in member countries, like Russia's Mir, India's UPI, and China's UnionPay, ensuring smooth cross-border transactions (BRICS Pay, 2024).
4. **Scalability**: The system is designed to handle increasing transaction volumes and incorporate new participants without compromising efficiency.

BRICS Pay operates through both bilateral and multilateral frameworks, allowing member countries to settle trade balances in local currencies rather than relying on the US dollar. This innovative approach offers several significant advantages. Firstly, it reduces ***dependency on the US dollar,*** allowing BRICS nations to mitigate the impact of US sanctions and currency fluctuations. These countries gain greater control over their financial stability and economic sovereignty by bypassing the dollar. Secondly, the use of ***local currencies*** promotes the strengthening of domestic financial systems. This not only enhances the resilience of individual economies but also fosters deeper economic cooperation among member states. As local currencies gain prominence, trade relationships within the bloc become more robust and self-sustaining.

Lastly, BRICS Pay ***enhances financial inclusion*** by providing a platform for smaller economies within the bloc to participate more effectively in global trade. This levels the playing field, ensuring that even less dominant economies can engage in international commerce without being overshadowed by larger, more established financial systems. Together, these benefits underscore the transformative potential of BRICS Pay in reshaping global trade dynamics and reducing reliance on traditional financial hegemonies.

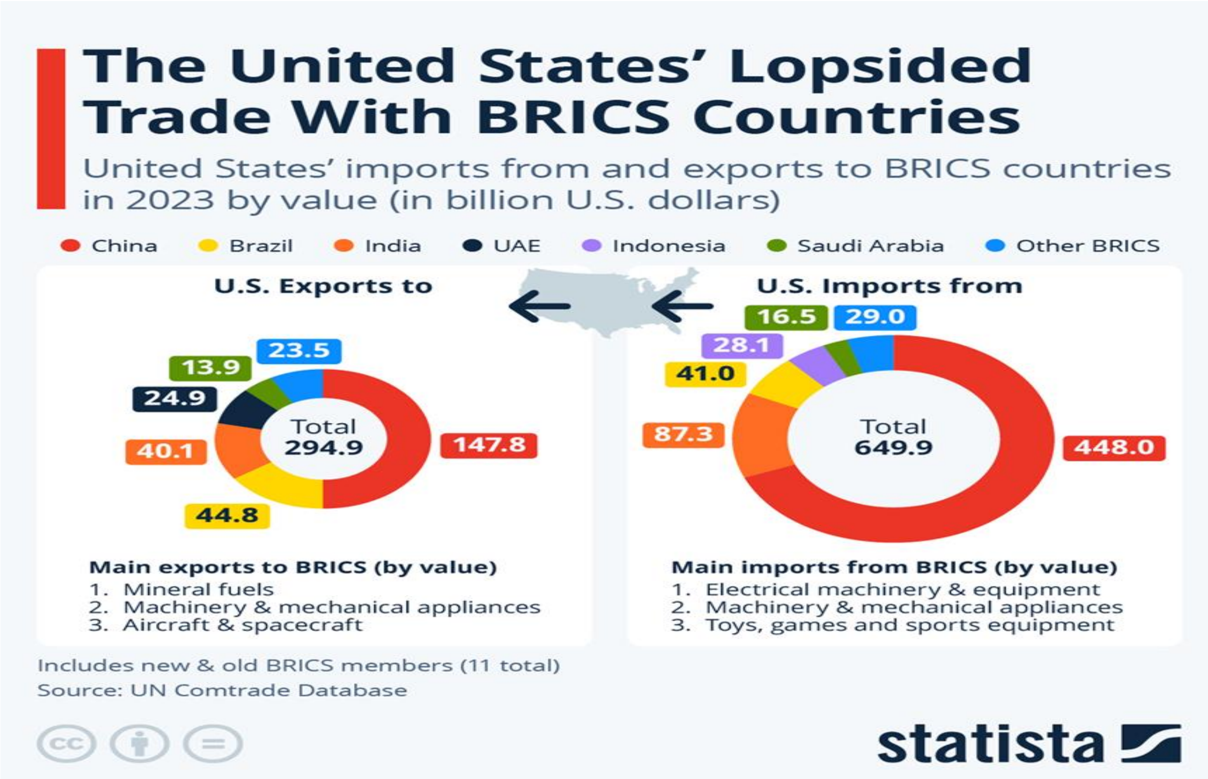
Consequences of Economic Sanctions and the Weaponization of the Dollar

The recent political decisions by the US and Europe to freeze Russian sovereign assets and use the interest on these funds to support Ukraine have raised significant concerns. Such actions undermine trust in the US and European legal systems, as they signal that assets held in dollars or within Western financial systems may not be secure (Šoškić, 2024). This erosion of trust is further exacerbated by the precedent of freezing assets from countries like Venezuela, Iran, and Afghanistan, leading many to view the dollar as a currency to avoid. Historically, the dollar was seen as a secure asset backed by a strong economy, respect for private ownership, and a level playing field for investors. However, its weaponization for geopolitical purposes threatens its role as a global reserve currency (Šoškić, 2024).

Freezing assets without solid legal grounds sends a troubling message about the reliability of the dollar-based financial system. This system, which relies on the ability to use dollars, SWIFT for transaction information, and the US banking system for clearing and settling transactions, is now perceived as vulnerable to political interference (Šoškić, 2024). If governments can unilaterally restrict access to dollars based on executive decisions, it raises serious legal and systemic concerns, potentially destabilizing global finance in the long term.

Moreover, the excessive use of sanctions, tariffs, and the weaponization of the dollar may accelerate the shift toward alternative currencies in international trade. This trend undermines the dollar’s global dominance, erodes its purchasing power, and raises import costs for the U.S., deepening economic vulnerabilities. Countries like Russia, China, and India are increasingly settling bilateral trade in local currencies, further reducing their dependence on the dollar. As global trade realigns, non-Western economies could seize opportunities left by sanctions, reshaping economic power dynamics. While sanctions are intended to exert pressure, they may ultimately backfire, restricting Western access to key markets like Russia and weakening the competitiveness of European economies (Šoškić, 2024).

The visualization below highlights the U.S. trade deficit with BRICS nations in 2023. Imports from BRICS countries totaled nearly $650 billion, while exports reached only **$295** billion, underscoring the trade imbalance. As BRICS nations reduce their reliance on the US dollar, this shift could have significant economic consequences for the US.



Sanctions and tariffs disrupt trade relationships, forcing affected countries to seek alternative partners and reducing US exports. Foreign investors may also avoid the US due to economic instability caused by these policies. Restrictions on key imports like raw materials and rare earth minerals can negatively impact US industries, raising production costs. While sanctions cut off trade and financial access, tariffs make imports more expensive, increasing costs for businesses and consumers. Companies that rely on foreign materials or global supply chains face rising costs, which are ultimately passed on to consumers, contributing to inflation and reducing purchasing power. Compliance with complex regulatory measures further burdens businesses. As the world had witnessed with Russia, targeted countries may retaliate with their own trade restrictions, tariffs, or economic alliances, leading to a cycle of economic retaliation. This not only damages US businesses and markets but also allows other nations to fill the gap left by US exporters, making it difficult to regain lost market share.

Kissinger's warning

In a 2014 interview and writings, Henry Kissinger warned that using economic sanctions in a globally interdependent economy could provoke mercantilist responses from large nations, leading to fragmentation of the global economic order. His warning was particularly relevant in the context of rising tensions between the United States and Russia following the Ukraine crisis and subsequent Western sanctions on Moscow. Kissinger cautioned that if sanctions are applied too aggressively, particularly against major economies, they could encourage those nations to seek economic self-sufficiency and alternative financial systems (Kissinger, 2014). In other words, instead of compelling compliance, such sanctions might push targeted countries to develop their own parallel institutions, trade networks, and financial infrastructures—a shift toward a more mercantilist global system, where large economies prioritize national economic self-interest over liberalized global trade.

Key Aspects of Kissinger's Warning

Sanctions Accelerate Economic Fragmentation

Large economies facing sanctions may reduce dependence on Western-controlled financial systems like the US dollar and SWIFT (Kissinger, 2014). Russia, China, and other nations have responded to sanctions by increasing trade in local currencies and developing alternative payment systems, such as China's CIPS and Russia's SPFS (Eichengreen, 2022).

Encouraging Parallel Economic Blocs

Kissinger suggested that economic coercion could lead to the emergence of rival economic blocs (Kissinger, 2014). This prediction aligns with recent developments like BRICS expansion, de-dollarization efforts, and new trade agreements bypassing Western financial structures (Hopewell, 2023).

Undermining US Influence in the Long Run

Overuse of financial sanctions might reduce the dominance of the US dollar as the world's reserve currency, forcing sanctioned nations to explore alternative financial alliances (Gallagher, 2022). The increasing reliance on gold-backed trade, central bank digital currencies (CBDCs), and regional payment systems could diminish the effectiveness of future US sanctions (Helleiner, 2021).

Relevance Today

Kissinger's warning appears prophetic in light of the economic realignments following Western sanctions on Russia in 2022 and China's push for a self-sufficient financial system amid US restrictions on technology trade. The global economy is witnessing a shift toward multipolar financial institutions, with countries seeking greater economic autonomy to avoid the vulnerabilities created by reliance on Western-dominated financial systems.

Strategic Objectives and Geopolitical Impact of BRICS Pay

The rise of BRICS Pay, a blockchain-based payment system, reflects the broader shift in global financial dynamics as emerging economies seek alternatives to Western-dominated financial systems. By leveraging blockchain's decentralized, transparent, and secure nature, BRICS nations can establish independent financial infrastructures, reducing reliance on centralized systems like SWIFT and mitigating exposure to US monetary policies and sanctions (Tapscott & Tapscott, 2016). Implementing BRICS Pay is not merely a financial innovation—it represents a strategic maneuver with profound economic and geopolitical implications.

Strengthening BRICS Economic Cooperation

A key advantage of BRICS Pay is its potential to enhance intra-BRICS trade by enabling seamless, real-time settlements. The system encourages transactions in local currencies or a BRICS-backed digital currency by reducing dependence on the US dollar as a trade intermediary. This shift increases trade efficiency, lowers currency exchange risks, and strengthens economic ties among member nations. For instance, China and Russia have already begun settling trade in their respective currencies, signaling a broader move toward financial autonomy within the BRICS bloc. Blockchain's ability to facilitate secure, peer-to-peer transactions further accelerates this transition by eliminating intermediaries and reducing transaction costs.

Challenging Dollar Dominance and De-Dollarization

The dominance of the US dollar in global trade is underpinned by its role as the world's reserve currency and its integration with the SWIFT system. However, as Eichengreen (2011) notes, emerging economies actively seek alternatives to mitigate dollar hegemony risks, including currency volatility and geopolitical pressures. BRICS Pay presents a viable alternative, allowing nations to bypass the dollar in cross-border transactions. By enabling direct trade settlements in local currencies, the system reduces the need for dollar conversions, weakening the dollar's influence on global finance. This aligns with the broader de-dollarization trend, where nations strategically move away from dollar dependency to enhance financial stability and sovereignty.

Boosting Financial Inclusion and Economic Participation

Beyond its geopolitical and macroeconomic significance, BRICS Pay has the potential to enhance financial inclusion within member nations. Blockchain-based systems provide an efficient and secure digital infrastructure that can extend financial services to underserved populations. Countries like India and Russia have already demonstrated the effectiveness of digital payment platforms through initiatives such as India's Unified Payments Interface (UPI) and Russia's Mir payment system. BRICS Pay could build on these models to promote inclusive growth and improve access to financial services across developing economies. By reducing transaction barriers and leveraging blockchain's decentralized capabilities, BRICS nations can create a more accessible and equitable financial ecosystem.

Implications for the Global Financial System: Geopolitical Ramifications and the Shift toward a Multipolar Financial Order

The emergence of BRICS Pay carries profound implications for the global financial system, signaling a decisive shift toward a multipolar economic order. By offering an alternative to the U.S.-dominated financial framework, BRICS Pay accelerates the transition from a unipolar system to one where economic power is distributed among multiple blocs. This evolution diminishes the influence of Western financial institutions while fostering a more balanced and inclusive financial landscape.

A key transformative aspect of BRICS Pay is its potential to enhance financial inclusivity, particularly for emerging economies historically marginalized within the dollar-centric system. By providing an alternative to SWIFT, it empowers these nations to engage more actively in global trade and finance, reducing disparities between developed and developing economies. Geopolitically, the expansion of BRICS Pay—bolstered by the inclusion of major economies like Saudi Arabia and Iran—strengthens the bloc's influence, challenging Western financial hegemony. Countries facing sanctions or seeking greater autonomy may increasingly align with BRICS-led financial networks, further eroding the dominance of traditional institutions.

The broader trend toward de-dollarization, reinforced by BRICS Pay, undermines the U.S. dollar's role in global transactions, reducing Washington's economic and geopolitical leverage. This shift enhances the economic sovereignty of participating nations, enabling them to resist external financial coercion. The success of BRICS Pay could also inspire other regions to develop parallel systems, accelerating the fragmentation of global finance into competing yet interconnected networks. While this diversification promotes resilience, it also introduces challenges such as currency volatility and liquidity inefficiencies.

Ultimately, BRICS Pay represents more than a technical innovation—it is a strategic step toward a multipolar financial order. Its rise reflects a growing demand for economic autonomy and resistance to unilateral financial dominance. The long-term stability of this evolving system will depend on whether major economies, including the U.S., adapt through cooperative multilateralism or exacerbate fragmentation through defensive measures. The trajectory of BRICS Pay and similar initiatives will shape the future of global finance, determining whether the world transitions smoothly into a more equitable system or faces heightened financial Balkanization.

III. Conclusion

The rise of multicurrency mercantilism signals a fundamental shift in the global economic order, challenging the historical dominance of the U.S. dollar and the institutions that have upheld its primacy since the Bretton Woods era. The de-dollarization efforts are driven by tangible geopolitical and economic factors, including the overuse of financial sanctions, monetary policy instability, and the growing desire for economic sovereignty among emerging economies. As BRICS and other economic blocs expand their influence, alternative financial systems and cross-border payment infrastructures are beginning to take shape, reducing reliance on Western-dominated networks such as SWIFT and the IMF-led financial architecture.

The ongoing integration of alternative financial infrastructures, exemplified by Iran and Russia's successful bypassing of SWIFT and the expansion of BRICS-led local currency trade, reflects a significant transformation in global finance. These developments indicate that economic sovereignty has become a central priority for nations seeking to insulate themselves from the geopolitical influence exerted through the U.S. dollar. The increasing adoption of local currency trade agreements, the expansion of bilateral financial messaging networks, and the implementation of digital payment platforms such as BRICS Pay and BRICS Bridge reflects a strategic effort to establish resilient, multipolar financial networks. These systems enhance intra-bloc trade efficiency, reduce currency risks, and foster deeper economic cooperation—challenging the traditional dominance of the dollar and SWIFT.

The motivations behind these initiatives stem from a growing mistrust of Western-dominated financial institutions, particularly in light of the weaponization of the dollar through economic sanctions and asset freezes. As Kissinger foresaw, aggressive financial restrictions have prompted targeted nations to establish parallel trade and financial systems, gradually eroding the dollar's dominance. While the immediate impact of these measures remains incremental, the long-term trajectory of this transition suggests a world with multifaceted potential consequences. On the one hand, diversification of global currency use in trade and finance may promote greater economic resilience, especially for countries vulnerable to U.S. monetary policy shifts and financial coercion. On the other hand, this fragmentation of global finance introduces new risks, including currency volatility, increased transaction costs, and inefficiencies in liquidity management across multiple financial systems. Additionally, the weakening of the dollar's global reserve status may erode U.S. economic influence, limiting its ability to impose effective economic sanctions and maintain its central role in international finance.

The geopolitical ramifications of de-dollarization extend beyond economic realignments, as countries increasingly seek to construct parallel financial ecosystems that mitigate their exposure to Western financial institutions. The collective shift by 80 countries toward local currency trade signals a profound reconfiguration of global finance, one that prioritizes diversification over dollar dependency. The development of BRICS Pay, the expansion of central bank digital currencies (CBDCs), and the deepening of regional financial integration efforts all point to an emerging multipolar financial landscape. This shift does not necessarily imply the immediate displacement of the dollar but rather the gradual formation of a more decentralized international monetary system where multiple currencies and financial platforms coexist.

Despite these shifts, the U.S. dollar continues to maintain significant advantages, including its deep liquidity, the backing of a strong economy, and its entrenched role in global trade and finance. However, if the trend toward de-dollarization persists, the dollar's dominance may no longer be absolute, forcing the United States and its allies to reconsider their approach to economic diplomacy. In this evolving context, the United States faces critical strategic decisions regarding its economic policies and diplomatic engagements. Attempts to counteract de-dollarization through protectionist measures, such as the imposition of tariffs or expanded sanctions, risk exacerbating global economic fragmentation and accelerating efforts to bypass the dollar. Conversely, fostering greater financial cooperation, revisiting the role of multilateral institutions, and engaging in economic diplomacy may offer more sustainable pathways to maintaining global financial stability while addressing legitimate concerns about the existing system's fairness and inclusivity. Therefore, fostering greater multilateral cooperation and strengthening global economic institutions could offer a more sustainable strategy for maintaining stability in the international financial system than relying on coercive financial measures,

The rise of BRICS Pay, the increasing prevalence of local currency settlements, and the shift toward alternative financial infrastructures mark the emergence of a more diversified and resilient global economy. While challenges such as currency volatility and liquidity inefficiencies remain, the continued momentum toward de-dollarization signals an irreversible evolution in the global financial order. Ultimately, the trajectory of global finance in the coming decades will be shaped by the interplay of economic pragmatism, technological innovation, and geopolitical strategy. Whether the world transitions smoothly into a more balanced financial order or experiences exacerbated financial fragmentation in the years to come will depend on the willingness of the United States and the broader international community to adapt to the realities of a changing international system. The rise of multicurrency mercantilism is not just a reaction to U.S. policies but a broader reflection of a world seeking greater economic agency, autonomy, and resilience in an era of shifting power dynamics.

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