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Assessment of the Economic Factors and Motivations towards De-Dollarization since the Early 2000s and Their Implications

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Abstract : The US dollar has long served as the world's primary reserve currency. However, this dominance faces growing challenges from internal US economic pressures and the rise of alternative currencies. Internally, issues like high debt, inflation, reduced competitiveness, and economic instability due to inequality in economic policies threaten the dollar's position. Externally, more countries are establishing alternative currencies, payment systems, and regional financial institutions to reduce dollar dependence. These drivers have contributed to a decline in the dollar's share of global foreign exchange reserves from 71% in 2001 to an estimated 58% in 2022. While this 13-percentage point drop took two decades, recent initiatives suggest de-dollarization could accelerate in the coming few decades. Efforts to establish non-dollar trade deals and alternative financial systems show more substantial progress compared to initiatives in the early 2000s. As the nature of the world system is anarchic, states make either individual or group efforts to guarantee their economic security and achieve their interests. Based on neoclassical realism, this paper analyzes both internal and external US economic factors driving current and future de-dollarization and the implications on the international monetary system, in addition to examining the motivation for such moves.
Keywords : de-dollarization, US dollar, monetary system, economic security, economic policies.
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