

The End of Dollar-Only Power? Euro, Yuan and Digital Money in a Multipolar World

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Abstract

This study examines whether the international monetary system is becoming more diverse while the U.S. dollar remains its main currency. It compares the euro area, China and Russia in five fields, first reserves and safe assets, second international finance, third trade and invoicing, fourth regional influence, and fifth, payment systems. The paper is based on academic research and official information available as of 31 October 2025. These findings show that the dollar remained the leading currency in global reserves, foreign exchange trading and international finance, and continued to provide liquidity during financial crises. The euro's share in reserves and in finance is significant, while there is no single, large European market for shared safe assets. China has begun using the renminbi more extensively in commerce and cross-border transactions, but capital controls and restrictions on market access limit the renminbi's wider use. Digital currencies and tokenised payment systems provide new avenues for transferring payments. They do not dictate on their own which currencies are kept as reserves or those borrowed. Dollar-backed stable coins could bring the dollar to more places. The evidence does not show that one currency is replacing another across all three cases. Instead, it shows different patterns of currency diversification.

Keywords: Dollar Dominance, De-Dollarisation, International Currency, Monetary Multipolarity, Euro, Renminbi, Central Bank Digital Currencies, Tokenisation.

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1. INTRODUCTION

The U.S. dollar has played a major international role since the Bretton Woods system was established in 1944. It continues to be very much entrenched in reserves, trade, foreign exchange and cross-border finance. That position relies heavily on the size and openness of the U.S. economy, and the ready availability of Treasury securities, as well as

the fact that many businesses and banks already operate in dollars. These links are discussed by Eichengreen (2011), Cohen (2015), Ilzetzki *et al.*, (2019), and Gopinath and Stein (2021).

At the same time, countries are considering other currencies and payment channels. Sanctions, reserve diversification

and new financial technology have all increased interest in alternatives. The euro is also extensively used in reserves and finance, and the Chinese state has been backing the renminbi with trade deals, CIPS and the digital payment plan. Arslanalp *et al.*, (2022) document reserve diversification, McDowell (2023) examines the role of sanctions, and Illes *et al.*, (2025) and the BIS (2025b) discuss developments in digital money.

The discussion of de-dollarisation often focuses on whether another currency will replace the dollar. This question fails to take into account the differences between reserves, borrowing and trade and payments. A country could do more business in local currencies and still be taking out loans in dollars or holding U.S. Treasuries. This study considers those activities separately.

Previous research explains several parts of this change. Arslanalp *et al.*, (2022) examine reserve diversification, while Gopinath and Stein (2021) explain the link between trade invoicing and demand for financial assets. The remaining question is how changes in different monetary activities relate to one another. By comparing them, one can gain a better understanding of the countries' monetary use of other currencies and their continued reliance on the dollar.

This study looks at how the euro, the renminbi and digital money are changing the global monetary system, which has long been dominated by the dollar. It examines whether there is a link between increased demand for a currency for trade and payments and its increased demand for reserves and for international finance. The dollar, euro and renminbi are analyzed using five areas: reserve and safe-asset power, international financial power, trade and invoicing power, regional and geopolitical influence, and payment and settlement infrastructure.

This paper argues that the international monetary system is becoming more diverse but remains centred on the dollar. The euro and the renminbi play significant roles in certain spheres but are not used equally in reserves, finance, trade and payments. New technology may improve the way cross-border payments are made without changing the currency used to price trade or hold reserves.

The study makes three contributions. First, it identifies five dimensions of the use of international currency. Second, it applies the same questions to Russia, China and the euro area. Third, it explains why a shift in payment systems need not bring about a shift in reserve holdings or international finance. Russia shows the impact of sanctions, China the development of trade and payment connections and Europe the importance of institutions and financial markets.

A currency can be used much more frequently as payment than it is for borrowing or holding in reserve. A comparison of the three regions using these five dimensions assists in highlighting progress and limitations.

2. Conceptual and Theoretical Framework

2.1 International Currency Power

According to Cohen (2015), a currency has international influence when governments, businesses and investors use it across national borders. This includes holding reserves, borrowing, lending, pricing trade and making payments. The institutions and financial markets behind a currency also matter, as Ilzetzki *et al.*, (2019) explain.

2.2 Network Effects and Path Dependence

The major currencies are still widely used because the people and the institutions are already using them. Goldberg and Tille (2008), Gopinath *et al.*, (2020), and Gopinath and Stein (2021) show that when a currency is widely used in international trade, there is

also more demand for credit, liquidity, financial assets, and other services in that currency. This provides an incentive for businesses, governments, and financial institutions to continue using it. Changing to another currency can also be costly. Strong financial markets, adequate liquidity, clear laws and regulation, and a secure financial system are essential for a competing currency. Krugman (1984) also discusses how a popular currency can maintain its international use.

2.3 Asset Safety, Liquidity and Financial Depth

The international acceptability of a currency also relies on the accessibility of safe and liquid financial assets. Central banks, institutional investors and private market participants look for assets that hold value, are liquid and are reliable in times of financial uncertainty. According to Caballero *et al.*, (2017) and Farhi and Maggiori (2018), liquid and deep financial markets facilitate the process of reserve accumulation, complement it with collateral, enable international borrowing, and offer liquidity during moments of market stress. By doing so, a currency's usability as a store of value is tied to how widely it is used in international trade and finance.

2.4 Geopolitics, Institutions and Monetary Sovereignty

Economic factors are not the only reason a currency is used internationally. Confidence in institutions, political relationships and international affairs also play a role. Eichengreen *et al.*, (2019) report that reserve decisions are not just a function of an economy's size or financial markets, but can also be affected by security interests, diplomacy and national interests. McDowell (2023) also explains that sanctions and limits on payment systems can encourage countries to use other currencies and payment options.

A nation can trade with other countries using fewer U.S. dollars. Despite this, it could still require money for borrowing, reserves, investment and financing. Liao and McDowell (2016) also show that political ties can affect whether central banks hold renminbi.

2.5 Digital Payments and the Future of International Currencies

Digital currency is transforming the way that countries and financial institutions are conducting payments. It includes central bank digital currencies (CBDCs), stablecoins, tokenised deposits and digital platforms that record and settle transactions.

According to Illes *et al.*, (2025) and the Bank for International Settlements (2025b), these systems can improve payment efficiency by making them faster, cheaper, and less reliant on traditional banking channels. A better payment system, however, does not mean an increase in significance for trade, debt, or reserves of a currency. Digital technology may give countries more ways to make payments without changing which currencies are most important in the global monetary system.

2.6 Layered Monetary Multipolarity

This study looks at five areas of currency: reserves and safe assets, international finance, trade and invoicing, regional power and geopolitical influence, and payment and settlement systems.

A currency could be helpful for one activity and not for another. Eichengreen *et al.*, (2018) show that more than one currency can have an international role at the same time.

The study examines where different currencies are gaining ground, what is driving their use, and what continues to limit their expansion. Advances in one sector do not

necessarily result in advances in another sector.

For instance, a currency can be more prevalent in commerce transactions but not yet in the holdings of the central bank. These differences are apparent if you consider the functions separately.

3. LITERATURE REVIEW

3.1 Dollar Dominance and Its Persistence

The factors that support dollar dominance remain true. Caballero *et al.*, (2017) and Farhi and Maggiori (2018) contend that U.S. financial markets are deep and assets are denominated in dollars, which makes dollar-denominated instruments very appealing to reserve managers and private investors. Goldberg and Tille (2008), Gopinath *et al.*, (2020), and Gopinath and Stein (2021) also find extensive evidence that network effects persist in trade invoicing and international funding in the dollar, leading to ongoing demand for the currency. Indeed, the dollar continues to be deeply fixed in exchange-rate arrangements, and in global crisis-driven liquidity mechanisms as noted by Ilzetzi *et al.*, (2019) and Gourinchas *et al.*, (2019). The size of the U.S. economy is not the only determinant of the role of the dollar; the supporting financial structure that enables daily transactions also plays a role.

3.2 Digital Money Has Become More Widely Employed in Cross-Border Transactions

Illes *et al.*, (2025) explain that central bank digital currencies (CBDCs) could make payments faster and help different payment systems work better together. The Bank for International Settlements (2025b) note that stablecoins could also simplify payments, but carry risk.

Project Agorá shows how commercial bank deposits and central bank money could be used on a digital platform for cross-border payments. The project was also progressing

towards a working prototype (Bank for International Settlements, 2025b).

Such technologies can streamline payments without necessarily altering the most commonly used currencies. Central bank digital currencies can provide countries with increased control of payment systems. Dollar-backed stablecoins can also increase the usability of the dollar via private digital networks that are financially stable and less prone to price fluctuations. The Bank for International Settlements (2025b) elaborates that the impact of digital money is broader than just the technology itself. The currency itself, its terms of use, and what makes it valuable are still relevant.

3.3 Gap in the Literature

Three gaps have been identified in the literature. Firstly, changes in trade settlement, payment systems and reserves are often treated together, although they relate to different activities. Second, research on international currencies and digital payment systems is mostly conducted separately. Thirdly, different research methods make it difficult to compare countries directly. This study addresses these gaps by using the same five-dimensional framework to compare Russia, China and the euro area.

4. RESEARCH METHODOLOGY

4.1 Research Design

This paper uses an integrative literature review and a structured comparison of Russia, China and the euro area. Analysis is based on academic research and official statistics. Each case is examined using the same five dimensions of international currency use. Structured comparison is an effective means of analyzing similarities and differences between cases, as stated by George and Bennett (2005). Snyder (2019) highlights the value of integrative reviews in bringing together evidence from different types of sources and perspectives

The three cases were chosen because they show different routes to monetary diversification. Russia revised trade-settlement protocols within trade restrictions. China enhanced its trade relations and payment systems. The euro area has its own existing institutions, financial markets and work on payment systems. These are unique examples and not a representative sample of all countries.

There is no single indicator of the international role of a currency. The use of a currency relies on the financial markets, the public's trust in the currency, and the political relationship and payment system.

4.2 Data Sources and Selection

Sources include peer-reviewed articles, academic books and publications from central banks and international institutions. The review followed four selection steps, described below. It was a structured review, not a systematic review, because a complete record of search results and exclusions was not kept.

First, this paper's research question and the five dimensions previously discussed were stated before selecting the sources. This helped focus the study.

Second, academic work was located using Google Scholar, DOI records and publishers' websites. Official reports were sought from the IMF, BIS, ECB, Federal Reserve, World Bank, Bank of Russia and CIPS. The key terms used for search included the dollar, euro, renminbi, reserves, and safe assets, trade invoicing, sanctions, CBDCs, stablecoins, tokenisation and cross-border payments.

Third, sources were included if they discussed one or more dimension and offered source identification and supporting evidence. Duplicate sources and claims that could not be verified were excluded from the

study. The number of sources reviewed and excluded was not recorded.

Academic study clarified theory and medium to longer term trends. Official reports were used for market figures and project milestones, where available.

Fourth, information available as of 31 October 2025 was analysed. Previous publications were kept for theory and background. Subsequent changes to the position were not used to describe the position at the study's cutoff date.

The study checked the dates and definitions of sources if they gave differing numbers. It used official figures where suitable and did not compare measures that describe different activities.

The study does not report on the number of sources found or excluded as these were not recorded. This limits the review's reproducibility, but the sources supporting its findings are identified in the reference list.

4.3 Analytical Framework

Table 1 sets out the five dimensions, the question asked for each one and the evidence used to examine it.

The evidence for each case was examined using the same five dimensions. Reserve holdings and trade settlement and access to payment systems were looked at separately. If similar measures were not available, the paper outlines the evidence without a numerical score.

The three cases show different forms of change, rather than equal levels of monetary influence. Digital currencies, payment tokens and stablecoins are classified as payment instruments or infrastructure, rather than as proof of a currency held in general circulation, or as used for international borrowing.

The analysis first addresses the reasons for change in each case. It then reviews the five dimensions, identifies the main constraints and compares the findings. This method is used to compare in a consistent manner without being used to determine a cause and effect relationship.

Official figures are presented to illustrate the extent of change. The reasons can be explained with academic studies and

institutional reports. When a variety of sources present differing understandings, the paper explains their definitions and dates, but does not directly compare unlike figures.

The aim of the analysis is to understand the differences between the cases and why those differences exist. It is not intended to rank them using a numerical score.

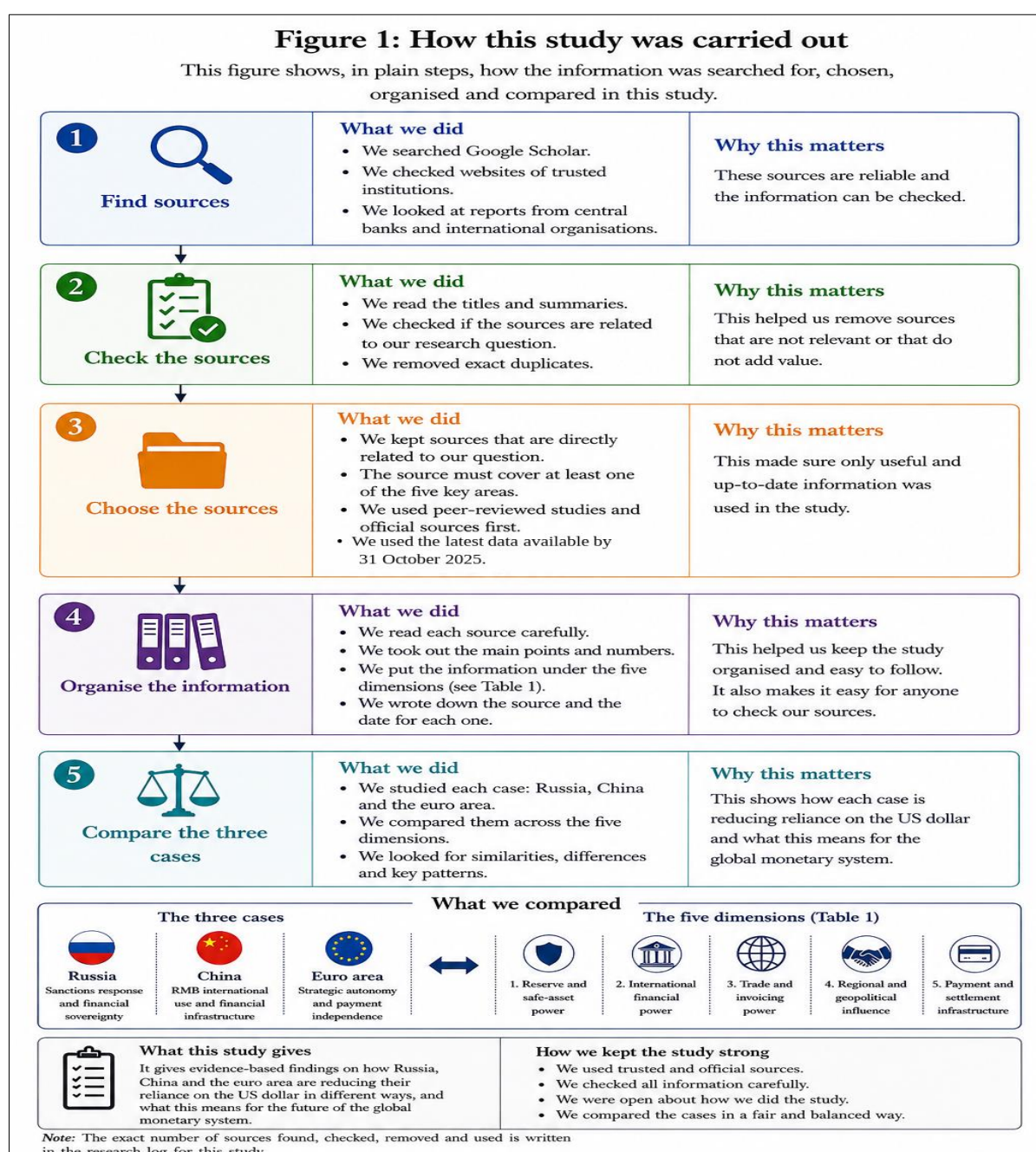


Table 1: Dimensions of Layered Monetary Multipolarity

Dimension	Core question	Key indicators
Reserve and safe-asset power	Is the currency widely held as a reserve and supported by a large, liquid market for safe assets?	COFER reserve share, presence of sovereign safe assets, and use of collaterals.
International financial power	Is the currency widely used in international borrowing, lending, investment and international adjustment of foreign exchange balances?	Share of foreign exchange trading, foreign exchange used for international debt and lending, depth of currency swap markets.
Trade and invoicing power	How widely is the currency used to price and settle trade?	Invoicing and settlement shares; use of vehicle-currency; pricing of commodities.
Regional and geopolitical influence	Is its use backed by the regional relationship, swaps or sanction responses?	Trade relations, alignment of strategies, bilateral exchanges, currency substitutions.
Payment and settlement infrastructure	Can it operate through reliable and interoperable cross-border systems?	CIPS and correspondent networks, CBDC and DLT projects, settlement finality.

Table 1. The dimensions are measured independently of each other, according to observable signs and evidence as opposed to a numerical index.

4.4 Limitations

This study has four limitations. First, data from different organisations do not always use the same definitions. Some reports group trade invoicing, payments, clearing and final settlement together, making direct comparisons difficult.

Second, the review does not include complete listings of all sources checked or rejected. The results of its findings can be verified against the referenced material, but the complete selection process cannot be duplicated. Third, digital money projects are evolving rapidly, and their potential uptake and impact are unclear.

Fourth, the three cases exhibit different patterns which do not warrant confirmation of the effects of a policy or payment system on international currency

use. Also, the cases do not cover all the countries.

5. Strength of the Dollar and its Impact on Foundations

5.1 The Dollar's Role as a Reserve and Safe Asset

The U.S. dollar is the primary reserve currency in the world. It benefits from the strength, size, and liquidity of financial markets in the United States.

As of the second quarter of 2025, the dollar accounted for 56.32% of foreign exchange reserves in the world (IMF, 2025b). The euro accounted for 21.13%, while the renminbi accounted for 2.12%.

According to the IMF (2025b), exchange-rate changes were the main reason for the reported fall in the dollar's share of global reserves in the second quarter of 2025. When exchange rates were held constant, its share fell by only 0.12 percentage points. This means the reported decline does not necessarily reflect a major change in central banks' reserve holdings.

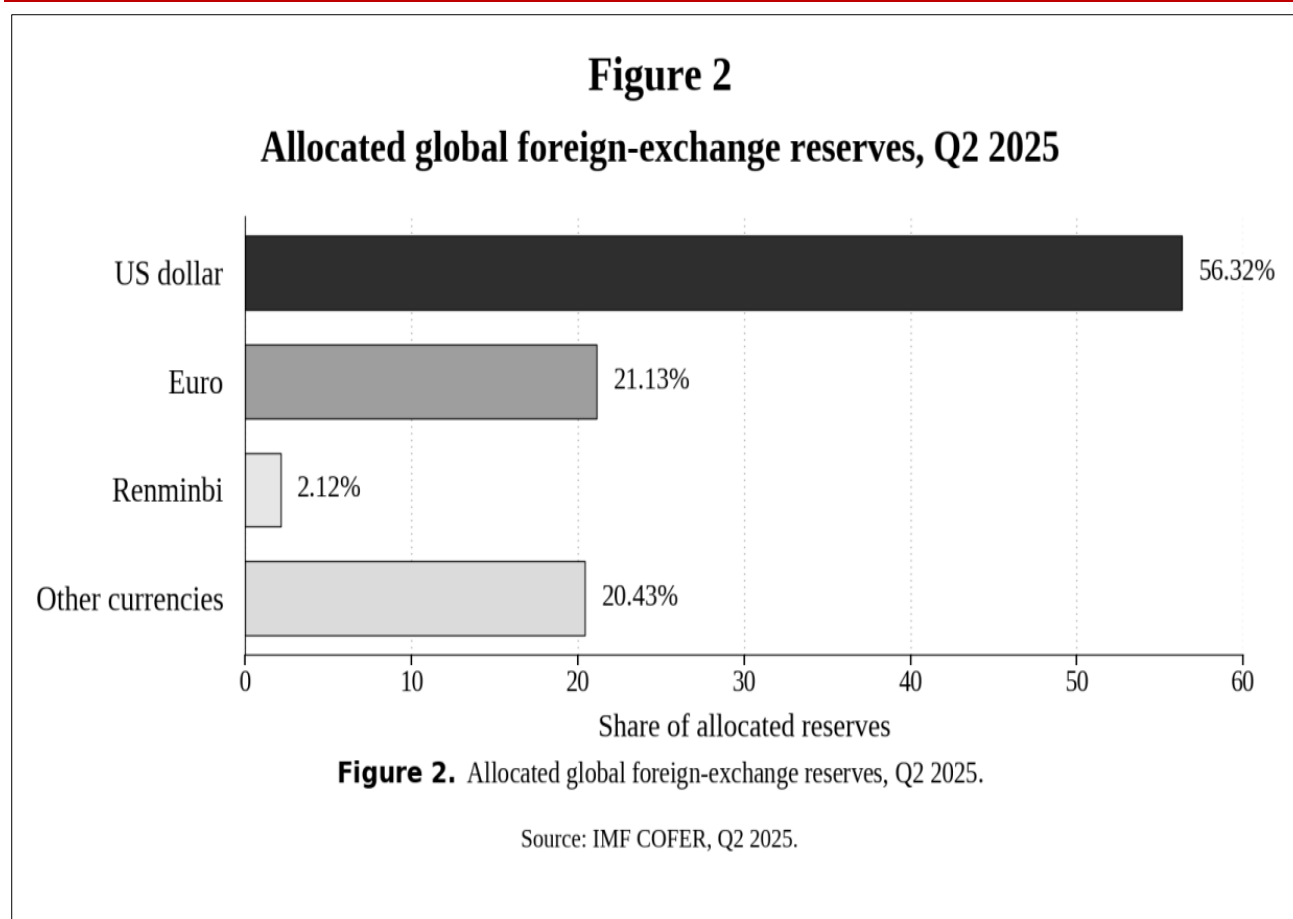


Figure 2: Shows the magnitude of this difference. Reserve holdings are becoming more diversified over time, but the dollar remains overwhelmingly dominant over other currencies

The U.S. Treasury market also supports the dollar's international role. Foreign investors held about \$9 trillion in U.S. Treasury securities in the first quarter of 2025. Governments, central banks and private investors use these securities for liquidity, collateral and as a store of value.

A competing currency thus must have more than a payment system: it must have deep markets for assets that people can sell easily, especially when conditions are stressful.

5.2 International Money and Foreign Exchange Markets

The US dollar continues to be the leading currency used in international

banking, debt financing and foreign currency transactions. This widespread, continuing need for dollar activity in borrowing, lending and carrying out risk management activities keeps it at the heart of global finance.

The dollar occupied 89.2% of foreign-exchange transactions as reported by the 2025 Bank for International Settlements Triennial Survey. The euro accounted for 28.9%, while the renminbi accounted for 8.5%.

Figure 3
Currency shares in global OTC foreign-exchange turnover, April 2025

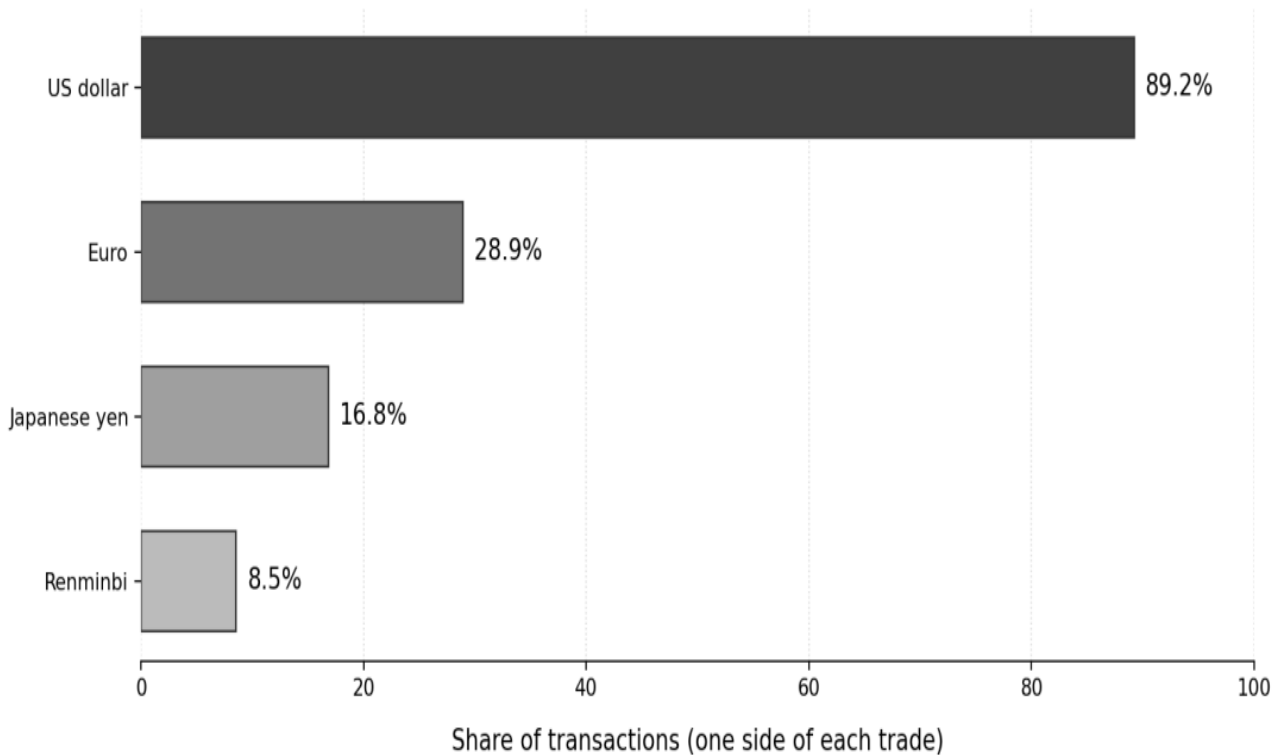


Figure 3. Global foreign-exchange turnover by currency, April 2025.

Source: BIS Triennial Central Bank Survey, April 2025.

As shown in the updated Figure 3, the dollar had the highest share of foreign exchange transactions in April 2025 (89.2%), followed by the euro (28.9%), Japanese yen (16.8%) and renminbi (8.5%) (BIS, 2025a). Because each trade involves two currencies, these percentages add up to 200%, not 100%. Reserve holdings and foreign exchange trading measure different activities, so changes in one do not necessarily reflect changes in the other.

5.3 Trade Invoicing and Network Effects

Businesses and financial institutions have good reasons to continue using the dollar because it is a principal currency used to invoice trade goods, price commodities, and engage in international financial transactions. Companies are more likely to adopt a currency already accepted by their

suppliers, customers, lenders and financial intermediaries. Contracts valued in dollars are easier to finance, easier to insure against exchange rate risks, and easier to settle because already developed markets and financial systems make these contracts more easily traded.

These advantages make it costly and difficult for firms to switch to another currency. Consequently, the dollar is very much in use even in transactions which have nothing to do with the United States. The dollar's continued use in trade encourages its wider use in international finance and increases demand for financial assets issued in dollars (Gopinath *et al.*, 2020; Gopinath & Stein, 2021).

5.4 Liquidity Support in Financial Crises

Another important source of dollar strength is the ability of the Federal Reserve to provide liquidity during periods of financial stress. When private funding markets come under stress, eligible central banks can access U.S. dollars through central bank swap lines and the Foreign and International Monetary Authorities (FIMA) Repo Facility.

These agreements provide relief in times of crisis, while also helping to bolster confidence that dollar liquidity will be available when needed.

The fact that the dollar is widely used for trade invoicing, has a high degree of liquidity and stability in financial markets, and is plentifully available as a safe asset, coupled with the ease of emergency liquidity access, creates the framework for the dollar's continued prominence in the international monetary system. None of these benefits guarantees the superiority of the dollar, but they work against the rise of any other currency.

More than just another system of payment is needed for a competing currency. It would also have to be equally stable, have institutional trust and market accessibility and possess a sufficient supply of trusted assets.

6. New Challenges to Dollar Dominance

6.1 Geopolitical Fragmentation and Financial Sanctions

The growing use of financial sanctions has encouraged some countries to reduce their reliance on dollar-based financial systems. Limits on reserves, access to banks and payment systems are making people aware of the geopolitical risks of relying on a dominant currency.

Eichengreen *et al.*, (2019) also argue that more general geopolitical relations exert

an influence on reserve selection decisions and on payment arrangements.

Despite the developments, the process of diversification is still selective. Many nations remain crucially reliant on dollar financing, trade finance and foreign financial markets.

6.2 Reserve Diversification

Central banks have slowly accumulated gold, lesser reserve currencies, and other financial assets. Arslanalp *et al.* (2022) found that the decline in the dollar's share of global reserves was mainly due to central banks diversifying their holdings into other currencies.

Although the reserve system is becoming more diversified, the dollar remains significantly more important than any competing currency. None of the alternatives has emerged to the extent that it has the scale, liquidity, and institutional backing to take on all the functions now assigned to the dollar.

6.3 U.S. Financial Strength and Trust

The U.S. dollar is the predominant world reserve currency. The strength, size, and liquidity of U.S. financial markets support its position. According to the International Monetary Fund (IMF, 2025b), the dollar accounted for 56.32% of the world's allocated reserves in the second quarter of 2025. The euro accounted for 21.13% and the renminbi for 2.12%.

Meanwhile, financial markets in the U.S. still provide scale, openness, liquidity and institutional stability which are hard to match elsewhere.

Dollar leadership is not only driven by constraints on other currencies but also trust in institutions that facilitate transactions involving dollar-denominated assets.

6.4 Alternative Trade and Payment Arrangements

Bilateral local-currency agreements and new payment systems are creating additional channels for international transactions. von Beschwitz (2024) notes that CIPS has developed infrastructure that supports RMB cross-border settlement.

The use of the renminbi has also been increasing with its adoption as a medium of trade with trading partners, underlining its role in international trade. The expansion is noteworthy but does not necessarily boost the demand for the currency as a reserve instrument or international funding currency.

6.5 The Limits of De-Dollarisation

The impact on the dollar differs in different international financial markets. A nation can trade in local currencies, hold a diversified portion of its reserves in local money, or employ other means of payment and still borrow and invest and take risks in dollars.

However, de-dollarisation should be interpreted as a partial and fragmented process and not an abandonment of the dollar.

These developments are likely to help break the dollar's dominance over time, especially in trading settlement and payment systems. The currency is still the main currency used for reserves, international funds, foreign exchange transactions and trade invoicing.

It is more likely that the monetary system will slowly become more diverse than quickly move to a post-dollar world. As part of the gradual spread of monetary influence,

the dollar remains the centre of the global financial system.

7. The Euro as an International Alternative

7.1 International Position

The euro continues to be the strongest alternative to the U.S. dollar. According to the International Monetary Fund (IMF) (2025b), 21.13% of the allocated foreign exchange reserves were in euro in the second quarter of 2025.

The European Central Bank (2025c) also concluded that the euro is the second most significant international currency in 2024.

According to the European Central Bank (2025c), the international role of the euro did not change significantly in 2024. The euro made up about 19% of the main measures used to track international currency use.

7.2 Strengths of Institutions and Regions

The international position of the euro is strengthened by the size of the euro-area economy, the credibility and independence of the European Central Bank, and the fact that most transactions in the region, particularly in trade and finance, are conducted in euro. It has a wide international use as a component of central banks' reserves, an instrument frequently applied in cross-border lending, international debt markets and financial trade with neighbouring economies.

The European Union also plays a role in regulating the euro. The European rules and standards related to finance, sustainability, competition and digital markets also have an international effect.

This enhances the euro's institutional presence even in countries that are not using it as a substitute for the dollar. In *Evaluating*

Global Finance Depolarization, Olawore *et al.*, (2025) identify the euro as a credible alternative currency, although it has not matched the dollar's international role.

7.3 Structural Constraints

Despite its advantages, the euro is not as deep as the dollar in terms of financial markets, nor as abundant as the dollar in terms of safe assets. Capital markets in the euro area remain predominantly nationally organised and, for the most part, not fully integrated. Differences in national fiscal policies and government debt issuance make it difficult for the euro area to develop a unified market for safe and highly liquid government securities comparable to the U.S. Treasury market.

According to the European Central Bank (2025c), more integrated and innovative markets might contribute to a greater internationalization of the euro. In *Evaluating Global Finance Depolarization*, Olawore *et al.*, (2025) found that strong institutions alone are not enough when countries do not work closely on fiscal matters and there are not enough common safe assets.

7.4 Digital Payments and Future Prospects

The proposed digital euro could give Europe more control over its payment system and reduce its reliance on non-European payment providers. In October 2025, the European Central Bank (2025b) announced that a pilot could start in 2027. It also indicated that the first issuance might be in 2029 if the requisite law is approved.

The Eurosystem is also developing Pontes, a system that will connect digital

financial platforms with TARGET Services. The European Central Bank (2025a) planned to launch the Pontes pilot by the end of the third quarter of 2026. Pontes will support the settlement of tokenised wholesale transactions using central bank money.

These developments could enhance the autonomy of payments and the technological position in Europe. Despite these efforts, they are not sufficient to overcome the fragmentation of European capital markets or to create a unified market for common safe assets comparable to the U.S. Treasury market. The euro is therefore more likely to have a stronger position as a complementary international currency rather than to replace the dollar in all monetary functions. This ongoing innovation strengthens a more diverse global financial architecture, increasing the diversity of currency options for reserves, remittances, regulatory cooperation, and payment systems and maintaining the dollar position at the center of the international monetary system.

8. The Internationalisation of the Renminbi

8.1 Expanding International Use

The renminbi has been used more in cross-border transactions as China's trade with other countries has grown. China has supported its use in trade through agreements with other countries and by allowing more payments to be made in renminbi. It has also made cross-border payments easier and created more opportunities for foreign investors in its financial markets. von Beschwitz (2024) reports that in 2023, about 26.2% of goods trade and 30.3% of services trade were settled in renminbi, as shown in Figure 4.

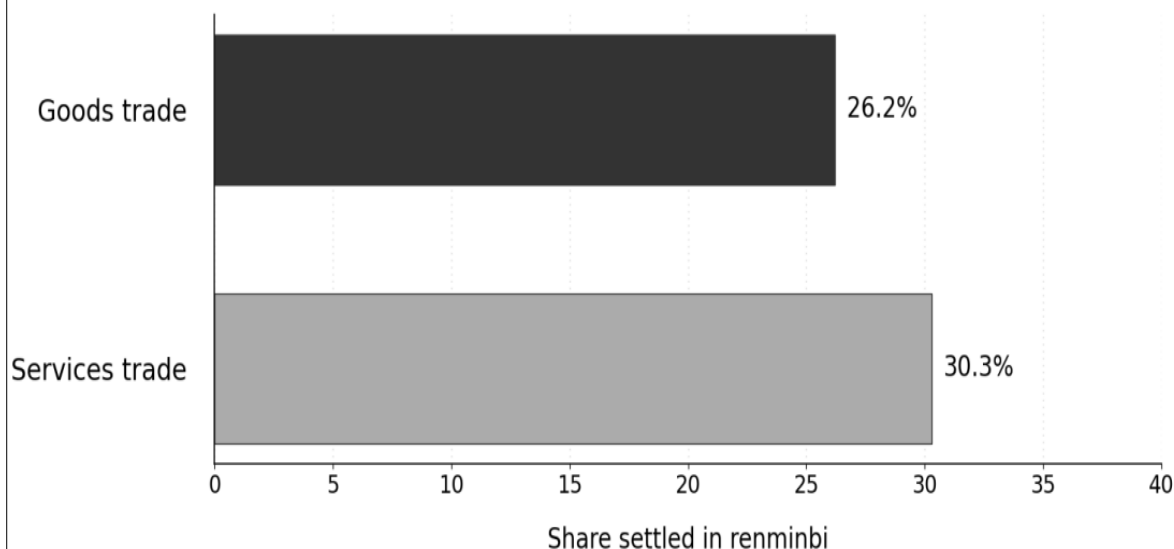
Figure 4.**Renminbi settlement in China's external trade, 2023**

Figure 4. Renminbi settlement in China's external trade, 2023.

Note: The figure shows the share of China's goods trade and services trade settled in renminbi.

Source: von Beschwitz (2024), FEDS Notes, Federal Reserve Board.

As shown in Figure 4, the renminbi is being used more in trade, but its share of global reserves is still small. According to the latest report by the International Monetary Fund (IMF) (2025b), as of the second quarter of 2025, the share of allocated global reserves for the Renminbi amounted to 2.12%. The dollar made up 56.32% and the euro 21.13%.

8.2 CIPS and Cross-Border Settlement

Von Beschwitz (2024) explains that CIPS helps clear and settle cross-border payments in renminbi. Its use has grown since the system was introduced.

The system offers an alternative settlement channel for renminbi payments. In certain trade transactions, the system can reduce dependence on the traditional correspondent banking network. Better payment systems, however, do not

necessarily translate to greater international currency influence. These indicators of international monetary leadership continue to depend on strong demand for reserve holdings, deep and liquid financial markets, a reliable supply of safe assets, and currency convertibility.

8.3 The Digital Renminbi and mBridge

The digital renminbi may further support China's efforts to modernise payments and facilitate selected cross-border transactions. China also took part in the mBridge project, a joint initiative led by the BIS Innovation Hub and the monetary authorities of China, Hong Kong, Thailand, and the United Arab Emirates to explore the use of wholesale central bank digital currencies for cross-border payments. In 2024, the Saudi Central Bank became a

member of the project (Bank for International Settlements, 2024).

mBridge was at the Minimum Viable Product (MVP) stage by mid-2024. Its distributed-ledger platform was designed to support real-time, peer-to-peer cross-border payments and foreign-exchange transactions using central bank digital currencies. In October 2024, the BIS transferred responsibility for further development to the participating partners, according to Bank for International Settlements (2024).

mBridge is more than just a Chinese or renminbi-based platform. Most critically, it demonstrates the possibility of cross-border transactions being settled through a new interconnectivity between CBDCs. Platforms such as mBridge could encourage wider international use of the renminbi, but only if they are widely adopted, trusted by regulators and market participants, work smoothly with other payment systems, and are used to settle transactions in renminbi.

8.4 Structural Constraints and Prospects

The international use of the renminbi still faces some limits, including capital controls, a managed exchange rate, and limits on market access. According to the International Monetary Fund (IMF, 2024), some capital account transactions continue to be subject to exchange controls.

As a result, in the short-term, the renminbi is more likely to grow in importance as a medium of cross-border payment, regional finance and trade settlement rather than replacing the dollar. In *Evaluating Global Finance Depolarization*, Olawore *et al.*, (2025) point out that China's extensive trading network and emerging payment system facilitate the adoption of the Renminbi more broadly. However, the adoption of it remains limited due to investor confidence, capital restrictions, and limited convertibility. The renminbi will have a

greater role in trade, regional finance, and payments than in reserves and safe assets. Chey (2013) also suggests that the renminbi could become more of a regional currency than a pan-world substitute for the dollar.

9. The Transformation of Monetary-Power through Digital Money

9.1 Central Bank Digital Currencies

The introduction of CBDCs adds a new layer to the international monetary competition. Retail CBDCs are primarily designed for payments by households and businesses, whereas wholesale CBDCs are intended for transactions between financial institutions.

According to Illes *et al.*, (2025), a BIS survey of 93 central banks revealed that the majority of central banks were working on retail or wholesale CBDCs, with wholesale initiatives typically having progressed to more advanced stages.

CBDCs could boost the speed of payments, lower settlement expenses, and enhance the relationship between national monetary systems. They should also be able to foster monetary sovereignty by offering an alternative option to foreign payment apps and digital currencies for the public.

However, their international impact will depend on how well different systems work together, the level of regulatory cooperation, how easily they can be accessed, and the currencies used in the transactions they support.

9.2 Stablecoins and Currency Competition

Stablecoins also offer an additional channel for cross-border payments, remittances, as well as digital settlement. Their borderless infrastructure has the potential to increase competition in payment services while reducing delays and costs associated with correspondent banking. The Bank for International Settlements (2025b)

reports that stablecoins can simplify cross-border transactions but may also pose risks to the financial system.

Stablecoins may also support the global use of the U.S. dollar because most are linked to the dollar and backed by dollar assets. They can provide an alternative method of holding and transferring dollar-backed value, particularly when local currencies are weak or people have limited

access to banking services. However, wider use of stablecoins may also increase the use of foreign currencies and affect capital flows. The Bank for International Settlements (2025b) also highlights these risks.

Figure 5 illustrates that despite the rise in digital payment systems and new currencies, stablecoins are still firmly anchored to the dollar.

Figure 5. Dollar-denominated stablecoins, 2025



Figure 5: As of 2025, over 99% of stablecoins have been pegged to the U.S. dollar. Source: BIS (2025b), Chapter III, Graph 2.A. This figure indicates a minimum percentage of the market, but is not the actual percentage.

9.3 Tokenisation in Financial Settlements

Tokenisation may revolutionise how wholesale financial markets function by making central-bank reserves, financial assets, and commercial-bank deposits issuable and transferable on programmable digital platforms.

This technology facilitates atomic settlement, where all the transaction aspects are completed concurrently or the whole

transaction is cancelled. As a result, it can reduce settlement risk and minimise delays caused by reconciliation processes.

Project Agorá shows how tokenised wholesale settlement could work in practice. Central banks and more than forty regulated financial institutions took part in the project, which was coordinated by the BIS and the Institute of International Finance. By 2025, the project was in an early design phase and

was progressing towards the development of a prototype (BIS, 2025b).

Despite this, the introduction of tokenisation does not mean that the currencies with important international roles will change. The transactions can be conducted on a modern digital platform but remain denominated, financed and settled in traditional currencies.

Tokenisation could improve the way international transactions are processed without changing which currencies continue to play the leading international roles.

9.4 Implications for Monetary Multipolarity

Control over payment systems does not necessarily imply a broader use of the currency in international trade.

CBDCs and tokenised platforms can potentially provide further settlement options for the euro, the renminbi, and other currencies. Meanwhile, dollar-backed stablecoins can broaden the scope of the global US dollar in private digital currency networks. In this way, digitalisation can contribute to both money diversification and to the global use of established currencies.

In a multi-layered monetary landscape, digital money will likely exert most influence on payment and settlement. It can help ease dependence on conventional intermediaries, and widen channels for cross-border financial transactions. This is why digital infrastructure can make payment processes easier, but it cannot by itself create the institutions, deep capital markets, trust in a currency, and safe assets needed for a dominant global currency.

Digital infrastructure is also emerging as a new ingredient in an evolving global monetary order, as are reserve holdings,

international financing, trade, and regional influence.

10. Case Studies: Russia, China and Europe

10.1 Russia: Sanctions-Driven De-Dollarisation

Russia is an example of geopolitical pressure accelerating changes in international trade settlement. Following restrictions on its access to Western financial systems, the country increased its use of the rouble and the currencies of its principal trading partners.

The Bank of Russia (2024) reported that by late September 2024, 81.7% of Russia's export settlements and 81.5% of its imports were settled in rubles or the currencies of friendly countries.

These developments show that sanctions can significantly change the currencies used for international payments. However, this does not imply the loss of significance of the dollar in the international monetary system. Greater control over payment systems does not necessarily lead to greater use of a currency in international trade.

Russia's experience, however, is not about the establishment of a new global monetary centre, but rather a dramatic transformation of the settlement of trade. It shows that de-dollarisation can move forward in some parts of the international monetary system while making much less progress in others.

10.2 China: Infrastructure-Led Renminbi Expansion

China has actively strengthened its renminbi internationalisation efforts through trade relationships and payment mechanisms conducive to broader use of the renminbi. Since its establishment, CIPS has steadily expanded and now facilitates cross-border settlement and clearing in Chinese

renminbi, as reported by von Beschwitz (2024).

China's involvement in mBridge also provides a glimpse of digital infrastructure's potential role in alternative cross-border settlement. The platform was designed by the BIS Innovation Hub and the related monetary authorities for cross-border payments and foreign exchange transactions with instant settlement using CBDCs.

In 2024, mBridge entered the minimum viable product stage and its subsequent development was transferred to the partners involved (Bank for International Settlements, 2024). These developments help build the platform for conducting renminbi transactions. But payment systems are by themselves insufficient to make a global leading reserve currency.

To become more widely adopted internationally, a currency must be freely convertible, backed by liquid capital markets, trusted institutions, and a supply of safe and convenient financial instruments. China has made more progress in trade settlement and payment systems than in increasing the renminbi's use in global reserves and international finance.

10.3 Europe: Institutional and Payment Autonomy

Europe represents a different route towards greater international monetary influence. Instead of establishing a new currency bloc, the European Union has tried to promote the use of the euro by means of institutional confidence and credibility, regulatory power, financial harmonisation, and payment infrastructure.

The digital euro is one part of this approach. The European Central Bank (2025b) said that a pilot could begin in 2027 if the necessary law is approved. The Eurosystem also aims to be ready for a possible first issuance in 2029.

A digital euro could provide a public digital payment option and reduce Europe's dependence on non-European payment providers. However, the digital euro alone is unlikely to overcome the divisions within European capital markets or create a common safe asset like US Treasury securities. Many central banks hold euros in their reserves, but the US dollar remains the world's main reserve currency. Europe has also gained more control over its payment system.

Table 2: Comparing across the five dimensions

Dimension	Russia	China	Euro area
Reserve and safe-asset power	Trade settlement has shifted away from Western currencies, but there is little evidence of a replacement reserve asset.	In the second quarter of 2025, the share of the RMB in global reserves amounted to 2.12%.	As of the second quarter of 2025, the percentage of the total amount of global reserves held in euros was 21.13%. However, its safe asset market was still smaller than the U.S. Treasury market.
International financial power	Access to Western banking options has constricted, and other sources have been limited and mostly regional.	It is being utilized in the offshore and regional market, but access to financial markets and currency conversion	The euro is widely used in foreign finance, but Europe's diverse financial markets hinder wider adoption.

Dimension	Russia	China	Euro area
		restrictions continue to limit growth.	
Trade and invoicing power	By late September 2024, about 82% of Russia's export and import settlements were made in rubles or currencies of countries considered friendly by Russia.	Around 30.3% of Chinese services trade and 26.2% of Chinese goods trade were settled in renminbi in 2023.	The euro is used extensively for the invoicing and settlement of trade transactions in the euro area and in the neighbouring markets.
Regional and geopolitical influence	Sanctions have heightened currency substitution, albeit in limited trading partners.	The renminbi is gaining ground thanks to its expanding role in Russia with its trade and swap activities and its involvement in development financing.	The euro system has an institutional and regulatory presence outside the euro area.
Payment and settlement infrastructure	Risk reduction in some settlements; limited global coverage in payment and settlement.	CIPS supports cross-border payments in renminbi. mBridge reached the minimum viable product (MVP) stage in June 2024. Its increased usage relies on adoption by participating institutions.	The digital euro and Pontes can support payment independence, depending on legal and implementation progress.

Table 2. The assessments summarise the evidence presented in Sections 7–10. They represent comparative strengths for monetary tasks and should not be interpreted as numerical scores.

10.4 COMPARATIVE FINDINGS

The three cases show different routes to currency diversification. Sanctions upset the way that Russia pays for trade. China expanded its trade connections and renminbi payment systems, such as CIPS. The euro area has prioritized the reinforcement of existing institutions, aiming to increase financial integration and financial control over payment systems.

Table 2 contrasts these situations with the five dimensions. The figures and descriptions are not a ranking: each measures a different part of international currency use.

None of those changes constitutes a replacement of the dollar in all the five dimensions. Instead, the cases demonstrate that currencies may have multiple purposes in multiple activities.

Payment growth and reserve growth are two different considerations. Following sanctions, Russia changed the currencies used for much of its trade. The renminbi still held only a small proportion of world's reserves, even though China established its

own payment systems. Although the euro is a major reserve currency, Europe has a smaller market for safe assets than the United States. Improved payment mechanisms do not generate broader use of a currency in financial affairs or as a store of wealth.

11. Discussion: Is the International Monetary System Becoming Multipolar?

11.1 Dollar Resilience

The U.S. dollar remains the main currency in the international monetary system. It leads in official reserves, foreign-exchange trading, international finance, safe assets, and in terms of liquidity for crisis situations. The U.S. dollar is clearly the most important international currency, as evidenced by the work of the International Monetary Fund (2025b), the Bank for International Settlements (2025a), and Bertaut *et al.*, (2025).

These strengths compound to make the dollar's position even stronger. The widespread use of the dollar in trade invoicing creates demand for dollar funding. A well-developed financial market facilitates borrowing and hedging, and the demand for reserves is met by safe assets. Gopinath and Stein (2021) detail how these interdependent functions support a strong role for the dominant international currency.

The dollar remains the world's top currency, though other currencies are being used more for trade and reserves. Central banks' reserve portfolios are becoming more diversified, and there is a growing tendency to settle part of trade in local currencies, while new payment systems are opening new avenues for cross-border transactions. Despite this, none of these options has matched the full market depth, institutional support, or financial

infrastructure that is established for the dollar. Arslanalp *et al.*, (2022) noted that countries are leaning toward diversifying their reserves, rather than switching from one major alternative to the dollar.

11.2 Uneven Currency Diversification

The euro and the renminbi are becoming more important internationally, but in different ways. The euro is still the best dollar alternative for holding reserves and international transactions. It is fully convertible, institutionalized and extensively used in regional trade and finance. But despite this, there are fragmented capital markets and the scarcity of common European safe assets which constrain its broader use. The European Central Bank (2025c) also says that Europe needs deeper and more liquid financial markets. Olawore *et al.*, (2025) define the euro as the most promising existing competitor of the dollar.

The renminbi has grown more in trade settlement, regional finance and payment systems linked to China. International development has been boosted through China's role in world trade and CIPS' expansion. However, its attractiveness as a reserve and investment currency is still limited by capital controls, limited convertibility, and restricted access to the Chinese financial markets.

The process of competition within and among currencies is far from straightforward; one currency does not simply replace another. Different currencies are gaining influence in different parts of the international monetary system.

11.3 Digital Money as Alternative Infrastructure

CBDCs, stablecoins and tokenised platforms can help to lower costs, shorten

settlement processes, and offer new cross-border payment avenues. But these technologies do not necessarily change which currencies countries use for trade, saving, or borrowing.

Project Agorá is a good example. It is experimenting with tokenized commercial bank deposits and central bank digital currencies to help ease cross-border payments. According to the Bank for International Settlements (2025b), the project was moving towards the prototype stage in 2025.

Digitalisation can have different effects at the same time. CBDCs could allow regions to exert more control over their payment systems, and the dollar-backed stablecoins could potentially improve the functionality of the dollar in private digital systems. The Bank for International Settlements (2025b) also points to these tensions, among other sources.

11.4 De-Dollarisation without Dollar Displacement

The three cases show that countries are reducing their reliance on the dollar in some areas, but not across the entire international monetary system.

Russia has sharply reduced the use of Western currencies in trade settlement. China has established infrastructure for cross-border payment using renminbi. European countries want greater self-control of payment systems. The evidence from the three cases shows that countries are moving away from the dollar where alternatives exist, while continuing to rely on it in many other areas.

None of these changes has eliminated dollar dependency on all types

of monetary functions. A country can cut down on buying and selling in the dollar and payments in dollars, but not necessarily on the amount of dollars held as reserves or on the demand for safe assets.

De-dollarisation cannot be understood through just one metric but requires multiple factors to be analyzed comprehensively.

11.5 Layered Monetary Multipolarity

Arslanalp *et al.*, (2022) show that countries are spreading their reserves across several smaller currencies instead of moving to one main alternative to the dollar. Financial markets, regional payment networks and digital payment systems are also affected by the major currencies.

The dollar continues to dominate reserves and global finance, as well as the safe asset and foreign exchange sectors. The euro still remains as the most solid short and long-term alternative. The renminbi is gaining influence in trade and payments, while digital platforms are creating new channels for settlement. These developments affect other parts of the monetary system. Some evidence indicates that certain activities are diversifying, while others are still primarily dollar-based.

The developing system can then be characterized as asymmetrically multipolar. Monetary influence is spreading, but the major currencies do not possess equal capabilities or perform the same functions. A country could decrease its dollar reliance in some transactions while still relying on dollar funding, dollar reserve assets and financial markets. Multipolarity is emerging through different currencies taking on different roles rather than through a direct transfer from one currency to another.

12. Implications for Emerging and Developing Economies

12.1 Exposure to Dollar-Centred Finance

Emerging and developing economies continue to be closely tied to the U.S. dollar because a large share of international borrowing, trade finance and commodity trade flows is conducted in dollars.

As the value of the dollar increases, nations and businesses that owe loans in dollars might have to use more of their own currency to pay the debt. Allen *et al.*, (2025) found that dollar appreciation was followed by larger and longer-lasting falls in economic activity in emerging markets than in advanced economies. Their results further indicate that the impact was greater on commodity exporters in the emerging markets.

Some trade with local currency may decrease the amount of dollars used in those transactions. It does not reduce risks of dollar-denominated debt, reserve holdings or other financial contracts.

12.2 Dynamic Currency Exchange and Regional Trade

Having multiple currencies could provide developing economies with more options for both trade and borrowing. Some transactions may be carried out using local currency and regional payment systems, thereby lowering conversion costs and the use of foreign currencies in those transactions. Well-developed domestic financial markets can also help countries withstand external shocks (IMF, 2025a).

Using different currencies does not mean countries are no longer financially dependent on others. A country can use fewer dollars during trade but still need to

borrow and save in US dollars. The advantages of diversification are tied to established currencies, beneficial markets and trust in institutions and access to finance.

12.3 Digital Money and Financial Inclusion

Digital payment systems can help reduce costs and speed up remittances and business payments across borders. According to the World Bank (2025), the global average cost of sending USD 200 in remittances was 6.36% in September 2025. Lower costs can make a difference for families and businesses, but not all have access to digital payments.

CBDCs and related technologies could provide more direct ways to make cross-border payments. Stablecoins can also help facilitate transfers, but present financial and consumer risks. Countries must ensure the availability of reliable networks, online security, clear rules, consumer protection, and access to financial services to enable people to benefit.

12.4 Monetary Sovereignty and Financial Stability

The growing use of foreign digital currencies and stablecoins could make it harder for countries to control their own monetary policy. Rey (2015) shows that global financial conditions can reduce how much freedom countries have over monetary policy.

Numerous stablecoins have dollar-pegged values. Using stablecoins instead of local currencies on a large scale could put more pressure on exchange rates, banks and monetary policy. The Bank for International Settlements (2025b) discusses these risks.

Digital payments can potentially simplify cross-border transactions but they can also lead to a reliance on foreign currencies. Countries need to consider both the benefits and the risks.

12.5 Implications for African Economies

African economies could benefit if cross-border payments were settled more often in local currencies rather than foreign ones. The Pan-African Payment and Settlement System enables the participating institutions to carry out payments across African member states without the need to convert to a third major international currency (Pan-African Payment and Settlement System, n.d.). This may help minimize delays, bring down transaction costs and lessen reliance on limited hard currency for intra-African trade.

Payment infrastructure is essential for reaching these goals, but it is not enough to solve problems with exchange rate fluctuations, undeveloped financial markets, restrictions on the conversion of domestic currency, or lack of confidence in domestic currencies. Therefore, local institutions should be stronger, local financial markets should grow, and people should have more trust in local monetary policy to support regional payments.

For emerging and developing economies, layered monetary multipolarity offers more choices in currencies and payment systems, but it does not necessarily lead to greater independence. One of the policy issues is reducing exposure through diversification and digital innovation without providing an alternative source of dependency.

13. Policy Recommendations

13.1 Sustain Currency Credibility

If the United States wants to preserve the dollar's long-term role, it will need to maintain sound fiscal policies, strong and liquid financial markets, a stable legal environment, and a reliable supply of safe assets.

It should also commit to engaging close allies, trading partners and multilateral institutions to strengthen international confidence and cooperation. Trust in the dollar depends on the strength of the US economy, trust in US institutions, and the country's role in the global system. To build broader confidence in the dollar, it is important to pursue diplomacy and development cooperation and engage multilateral institutions.

Financial sanctions should continue to be targeted, proportionate and coordinated with international partners. McDowell (2023) explains that broad or unpredictable sanctions may lead affected countries to look for alternative payment systems and rely less on dollar-based networks. Diplomacy should therefore continue to be an essential component of the US economic policy, particularly where cooperation can lead to strategic objectives without endangering the stability of the dollar.

The European Union should further deepen capital-market integration, progress on banking union and increase the supply of common European safe assets. While digital payment innovation can help, these reforms are likely to play a much bigger role in strengthening the euro's international position. In order to see the renminbi be used more broadly internationally beyond trade and cross-border payments, China must improve its

convertibility, transparency, investor protections and openness of capital markets.

13.2 Develop Function-Specific Multi-Currency Capacity

Central banks and national treasuries need to understand that currency diversification is not just a case of holding or rejecting the dollar.

Instead, they should develop arrangements for multi-currency settlements that take into account their fundamental trade and financing relationships. This can include direct clearing systems, regional payment systems and liquidity facilities in currencies including the euro and renminbi.

These systems must also have effective protections to mitigate exchange risk, liquidity risk, counterparty risk, and settlement risk. The aim must be to increase resilience and reduce unnecessary conversion costs, not switch one form of dependency on foreign currencies to another.

13.3 Prioritise Digital Interoperability

When central banks design CBDCs or tokenised settlement systems, interoperability should be one of their top priorities. The new platforms should be compatible with existing payment systems and other regulated digital platforms, rather than running separately as a domestic system.

Project Agorá shows the potential of combining tokenised central-bank reserves and commercial-bank deposits on a shared multi-currency platform, although it is still moving towards a prototype. mBridge is one of several ways to support direct cross-border settlement, but it is not a solution that will work equally well for everyone.

Cross-border payment systems must be compatible with these existing services and capable of safeguarding customer information. The BIS (2024, 2025b) discusses the importance of interoperability and sound safeguards. There should also be clear guidelines for risk management of any operational or financial nature.

13.4 Establish Stablecoin Safeguards

Emerging and developing economies should introduce suitable regulatory and macroprudential safeguards for foreign-currency stablecoins.

These protections should cover criteria for the quality of the reserves, redemption rights, segregation of assets, governance, disclosure, operational resiliency, consumer protection and anti-money laundering requirements.

Authorities should also monitor whether the use of stablecoins is fostering substitution of currency and higher volatility in capital flows.

The increased adoption of dollar-backed stablecoins could reduce the use of domestic currency products, reduce the volume of funds raised by banks and impact the effectiveness of central bank monetary policy.

The use of stablecoins may affect banks, capital flows and local currencies, so regulators need to monitor these risks (BIS, 2025b).

13.5 Strengthen International Coordination

Regional financial institutions, the Bank for International Settlements, the International Monetary Fund and the World Bank should work together to adopt

common standards for cross-border digital payments, tokenised settlement and stablecoin regulation.

International and national institutions have the potential to provide technical assistance and establish clear guidelines for cross-border payments. Cooperation is particularly critical in a context of low resource availability to monitor new systems across countries.

These measures aim to ensure reliable payments, monetary stability and informed choices about which currencies to use. The trade-offs will vary across countries.

Countries should assess each use of a currency separately. Faster payments do not necessarily change the currency in which trade is priced, debts are issued or reserves are held.

13.6 Country-Specific Policy Recommendations

The findings show that the global monetary system is becoming more diverse, but the U.S. dollar remains the leading international currency. The U.S., the EU, and China have options to improve the international role of their currencies.

United States

It is important for the United States to maintain the stability, trustworthiness, and acceptance of the dollar. Well-established institutions, robust financial markets and secure dollar assets continue to be vital to the dollar's international role. Eichengreen (2011) and Gopinath and Stein (2021) show that these strengths help support the international use of the dollar.

The United States should also maintain open financial markets, support strong relations with other countries and

central banks, and continue to improve its payment systems. Confidence in the dollar can also be boosted by having clear guidelines for stablecoins and other digital payments.

Financial sanctions should be used with caution. McDowell (2023) explains that sanctions can encourage some countries to look for alternatives to the dollar. The United States should therefore strike a balance between national security and the long-term requirement for maintaining the credibility and acceptance of the dollar.

European Union

The European Union should continue to strengthen the international role of the euro. The euro has already become the most successful competitor of the dollar, but its development is hampered by weak integration of financial markets and the scarcity of common safe assets in Europe.

According to the European Central Bank (2025c), more liquid and deep financial markets would help to broaden the use of the euro. Europe should also continue to improve its payment systems, including the digital euro and projects such as Pontes.

China

China needs to foster greater reliance on the renminbi in trade, regional finance and cross-border payments. It also has a large trading network, providing a strong foundation for the renminbi to grow.

The Chinese government should also strengthen CIPS, open financial markets for foreign investment, and increase confidence in Renminbi assets. Chey (2013) proposes that the renminbi could first strengthen as a regional currency

before gaining wider adoption as an alternative to the dollar.

Overall Policy Direction

The new monetary system will probably incorporate several key currencies instead of one currency to replace another completely. The United States has to retain trust with the dollar, Europe must strengthen financial markets, and China must enhance renminbi accessibility and trust. Currency competition will persist, yet trust, financial stability, sound institutions, and cooperation between nations will be key factors.

14. CONCLUSION

This paper examined whether the international monetary system is becoming more diverse due to the growing use of the euro, renminbi and digital money.

As of October 2025, the evidence presented varies along the five dimensions. The dollar remains an important currency in international finance, foreign exchange trading, safe assets and foreign exchange reserves. This is supported by its well-developed financial markets and emergency liquidity facilities. New payment systems have not replaced the dollar's wider roles in reserves, international finance and safe assets.

The euro also plays an important role in international finance and European reserves, but Europe's financial markets are not fully integrated, which limits the supply of common safe assets. China's growing trade links and CIPS have increased the renminbi's use in trade settlement and cross-border payments. However, its wider international adoption remains limited by capital restrictions and restrictions on market access. Digital payment services can also become diversified while dollar-

backed stablecoins encourage more dollar usage.

Three pathways emerge from the case studies. Sanctions have changed Russia's trade-settlement choices. China has developed its trade and payment systems. Europe has focused on strengthening its institutions, integrating its financial markets and reducing its dependence on foreign payment systems. While these are all important, they are not directly comparable with each other as indicators of the global significance of a currency.

The main finding is that payment diversification, reserve diversification and currency replacement are different processes. If a new payment channel is developed, the movement of money can be changed without any change in the currency used for borrowing, pricing trade or storing reserves. Further studies are needed to determine if these associations are stronger as digital payment methods increase in scope.

These developments reveal that the global monetary system is becoming more complex, with different currencies being used for various purposes. The dollar is still the backbone of world finance.

15. Areas for Future Research

Future research could examine whether wider use of digital payments also changes the currencies countries hold in reserves, use to price trade and borrow internationally.

More empirical studies are required to separate effects stemming from CBDCs from the effects of stablecoins and tokenised bank deposits. Each of these instruments is designed differently, governed differently, backed

differently, and has different interactions with the banking system, all of which have different effects on monetary sovereignty, capital flows and financial stability.

This question is also of relevance in emerging economies. Foreign-currency digital payments could either be cheaper or more convenient, but they could heighten dependence on a foreign currency. Future studies should explore both effects because lower payment costs don't necessarily equate to financial independence.

The development of the renminbi should be studied in the context of its internationalisation. More widespread use in trade settlement, and in CIPS, could also drive up demand for assets denominated in renminbi, although capital controls, limited convertibility, and market access concerns could dampen demand for renminbi as a key international currency.

The study of the euro must also examine the potential for enhanced internationalisation through deepening capital market integration, increased access to common euro-denominated debt and the creation of the digital euro. A deeper analysis of the EU's influence on the wider use of the euro is also needed.

Studies of Africa, Asia, Latin America and the Middle East could show how countries are diversifying their use of currencies beyond the dominant ones. Further research is required to assess whether multiple currencies help lessen financial risks or increase financial dependence.

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