

Issue 1- the issue of de-dollarisation and the effects it will have on the global economy

According to Investopedia.com, de-dollarisation describes a process of moving away from the world's reliance on the US dollar (USD) as the chief reserve currency, a process with many short-term positives for newly emerging economies but equally as many long-term negatives for all member states. Having the US dollar as the chief reserve currency as has been the case since just after the second world war means that a large proportion of the global economy and international trade is managed through the US dollar with traders being ensured safer and more stable transactions since now using one currency eliminates the need to deal with the fluctuations in exchange rate between the many currencies that member states use.

The Bretton Woods Economic System, established in 1944 outlined a set of rules and policies that provided the framework necessary to create fixed international currency exchange rates. This agreement has been guiding the development of global financial rules ever since, making the US dollar the basis for trade and investment- further establishing the US as a major global power. However, with many newly emerging economies and global superpowers, member states are beginning to question the dominance of the US dollar. This raises problems for certain LEDCs, especially those who have strong ties to the US or who adopted the US dollar as an affordable way to ensure a stable trading system as well as shield their economies from the unpredictability of other currencies. This is because de-dollarisation can increase the risk of trading as well as hinder trade efficiency as well as trade competitiveness, a factor which LEDCs already struggle with due to increasing international competitiveness from HEDCs and NEEs. Not only this but since most UN operations are funded through contributions from member states in the form of US dollars, the reduced reliance on the US dollar may impact the stability and predictability of funding for these UN operations.

However, this trend isn't all negative- motivations to allow de-dollarisation to continue generally stem from the motivations of NEEs to expand their economies and attempt to assert influence over the global economy. For example, countries relying on the US dollar are very vulnerable to fluctuations in its value with a notable example being the 2008 housing market crash in the US, sending a large proportion of the world into recession. Member states diversifying their currency holdings and reducing their reliance on this one currency may instead be less affected by shocks such as this, making disruptions to the economic growth of these countries less probable. This is particularly advantageous to countries such as Brazil, Russia, India, China and South Africa

or the BRICs with economic growth on par with or exceeding that of the US. Furthermore, individual member states may

see de-dollarisation efforts as a way to assert sovereignty, reducing their dependence on the US as well as in the case of geopolitical tensions to counteract potential US sanctions that could target dollar-based assets. Therefore, in solving the issues that de-dollarisation poses to the global economy, it is important to consider the many advantages it has to several member states and whether it is possible to preserve these benefits whilst also minimising the negative effects of this. process.

Points to consider:

- Has your member state adopted the US dollar? How would de-dollarisation affect your member state? Would your member state be for or against de-dollarisation?
- Is it possible to grant member states greater autonomy over their monetary policy whilst still encouraging international cooperation and harmony?
- How can the economies of LEDCs be protected from the negative effects of de-dollarisation?
- How can international trade be stabilised to minimise disturbance due to de-dollarisation?

Useful links:

<https://www.jpmorgan.com/insights/global-research/currencies/de-dollarization>

<https://www.investopedia.com/what-is-de-dollarization-7559514>

<https://eabr.org/en/press/comments/dollarization-causes-and-solutions>

