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Contact Information

Mira Said

mira.said@blominvestbank.com

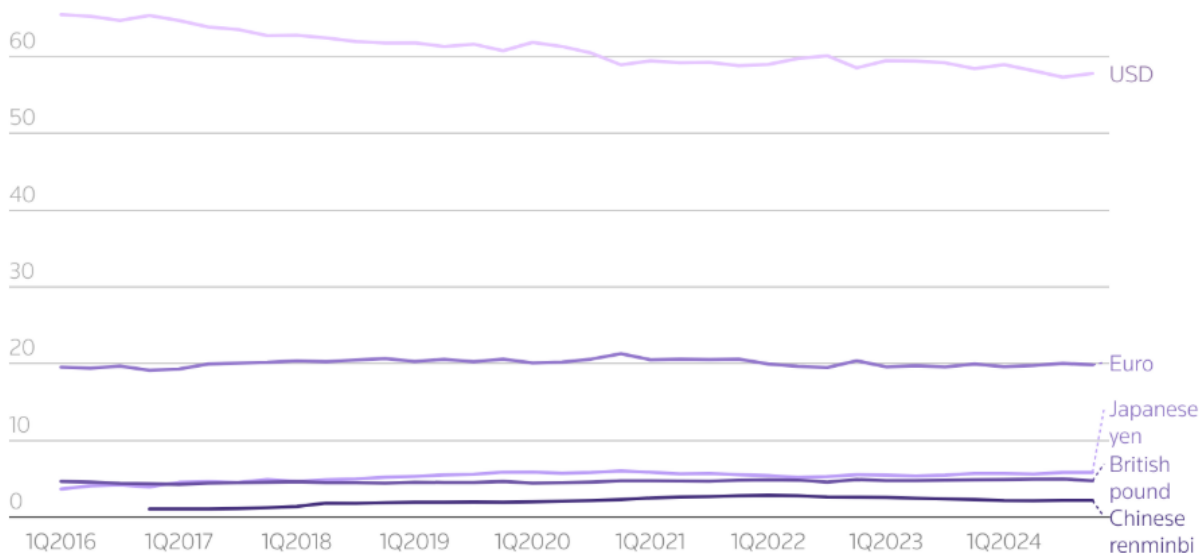
Speculation has grown that President Donald Trump favors a weaker U.S. dollar, a stance that could prompt other countries—especially in Asia—to let their currencies appreciate in exchange for more favorable trade deals. This potential shift threatens to erode the dollar's longstanding global dominance by undermining confidence in its value and stability. Adding fuel to this debate, Trump's top advisers now argue that the dollar's global dominance is more a burden than a privilege. But is this assessment accurate? And is the era of dollar dominance truly coming to an end?

Kenneth Rogoff, a Harvard professor, former chief economist at the IMF, and author of *Our Dollar, Your Problem: An Insider's View of Seven Turbulent Decades of Global Finance and the Road Ahead*, explores these questions in depth in his article, "[*This Time Really Is Different for the Dollar*](#)," published in *The Economist* on the 5th of May, 2025. Alongside Rogoff's analysis, this article incorporates recent global economic developments—including shifts in U.S. trade policies, emerging currency alternatives, and evolving international financial dynamics—to provide a comprehensive view of the challenges facing the U.S. dollar's dominance.

As shown in the chart below—created by Reuters using IMF data—the U.S. dollar's share of global foreign exchange reserves has been on a downward trend since peaking in 2015.

Quarterly share of disaggregated holdings of foreign reserves

Latest figure breaks down near \$11.5 trillion in FX reserves globally



Note: About 7% of the \$12.4 trillion global FX reserves reported to the IMF is not disaggregated by specific currency

By Rodrigo Campos | Reuters • Source: IMF

Graphic shows just under 60% of global foreign reserves are held in USD, 20% in euro and smaller amounts in GBP, JPY and CNY

Graphic: [Reuters](#)

The United States' increased use of financial sanctions—most notably against Russia after its 2022 invasion of Ukraine—along with the global enforcement of its laws on foreign companies and governments, has prompted several countries to seek alternatives to the dollar. These efforts include the development of new payment systems and proposals for shared currencies, such as the one discussed by the BRICS group, though it fell short in creating an alternative system.

China, watching how the U.S. responded to Russia, has become more concerned about facing similar actions if a serious conflict over Taiwan ever arises. Moreover, given the scale and structure of its economy, China may face economic conditions that diverge significantly from those in the U.S., making it impractical for its central bank to align with Federal Reserve policy. Therefore, Beijing has intensified efforts to reduce its reliance on the dollar-centric financial system. It has expanded its own cross-border payment networks, promoted the international use of the renminbi, and strengthened financial partnerships with countries seeking alternatives to U.S.-dominated mechanisms. A particularly notable example in the region is the Gulf Cooperation Council (GCC), which has strengthened its relationship with China through expanded bilateral trade, increased investments, and broader economic cooperation. However, these initiatives have yet to pose a serious challenge to the dollar's dominance, largely because China's slowing growth remains a major obstacle to the yuan's rise. Other barriers, such as capital controls and exchange rate restrictions, also persist, though they are theoretically more manageable.

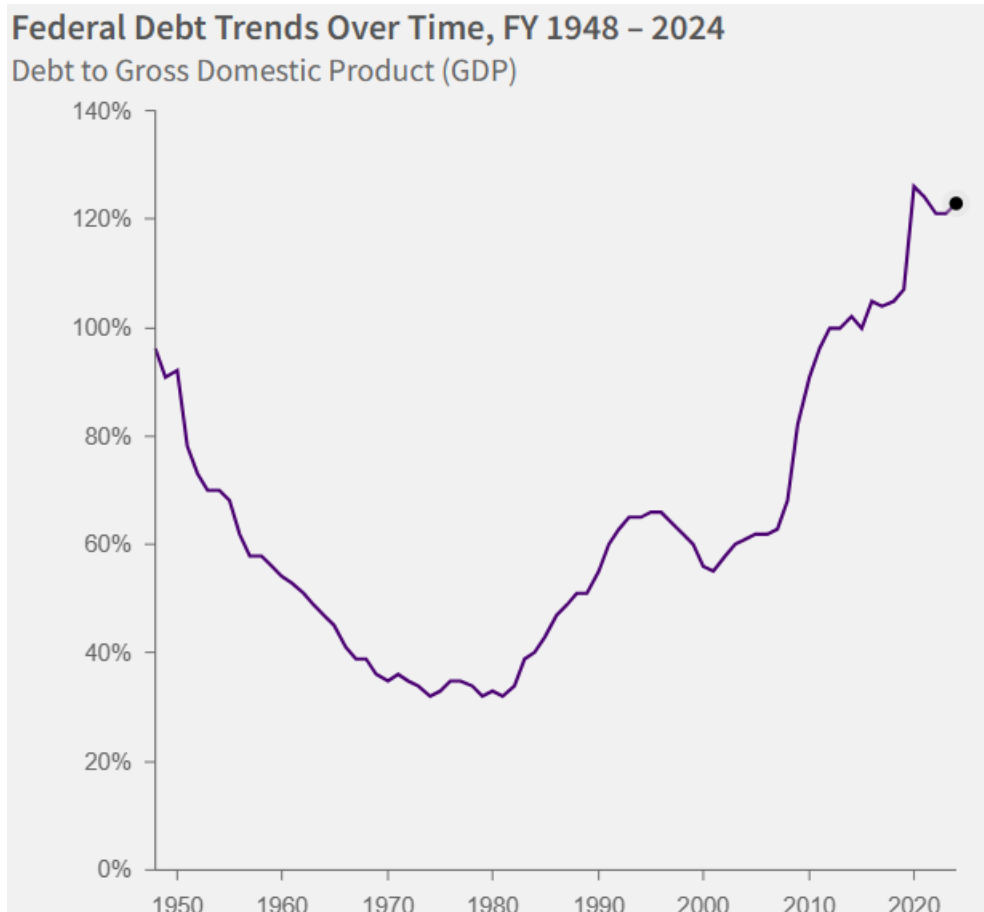
This trend is increasingly evident in Asia, where many countries with strong trade ties to China are gradually reducing their reliance on the U.S. dollar. Given that nearly half of the world's dollar-aligned economies are in Asia, this shift marks a profound rebalancing of global monetary influence.

Meanwhile, in Europe, the European Central Bank's push for a digital euro could further weaken the dollar's global dominance.

However, as per Rogoff, the real threat to the dollar comes from within the U.S.—not abroad. He points to America's growing public debt and the potential erosion of institutional independence—especially the Federal Reserve—as key risks.

On one side, Trump has repeatedly attacked the Fed and its chair, Jerome Powell; on the other, progressives push for the Fed to prioritize the environment, inequality and social justice, in addition to using a central bank digital currency to shift credit from private banks to government-favored sectors. More importantly, what has long distinguished U.S. assets—particularly when contrasted with the state-dominated legal frameworks of countries like China—is the enduring trust in the fairness, transparency, and independence of America's legal system. Should efforts to expand presidential authority begin to affect this foundation, it could gradually weaken foreign investors' confidence in the safety of U.S. assets.

In addition, according to [Fiscal Data](#) from the U.S. Department of the Treasury and the Bureau of the Fiscal Service, the national debt stands at \$36.21 trillion. As of 2024, this represents 123% of GDP—a historically high level that underscores growing fiscal pressure.



Graphic: [Fiscal Data](#)

Furthermore, the inflationary impact of Trump's tariffs and trade tensions with China has further weakened dollar dominance. Aggressive shifts in U.S. trade policy have fueled perceptions of economic instability, undermining trust in the U.S. as a global financial anchor. This was evident on "liberation day," when a sell-off in Treasuries and a falling dollar reflected rising inflation fears and a loss of foreign confidence in the U.S. as a safe haven, which could reduce both the liquidity and attractiveness of U.S. financial markets. This decline in demand for U.S. assets could, in turn, further weaken dollar dominance—creating a vicious cycle where reduced confidence and lower demand reinforce each other.

So, if the era of dollar dominance is truly nearing its end, is that necessarily good news for the U.S., as the current administration suggests? According to Rogoff, not quite. America's ability to borrow at low cost has long depended on strong global demand for the dollar. While some Trump advisers have criticized the strong dollar for hurting exports, they may now face a different challenge: if foreign confidence in U.S. assets—particularly the 30% of Treasuries held abroad—starts to fade, interest rates could rise sharply, undermining one of the key advantages of dollar supremacy.

This concern was reflected in this week's weak Treasury auction, which raised alarms about the country's growing debt just as Trump advanced major tax cuts. The \$16 billion sale of 20-year bonds came with a 5% coupon, marking the highest yield for this maturity since it was reintroduced in 2020. This move follows Moody's downgrade to the U.S. from its final AAA rating to Aa1, citing rising debt and elevated interest costs. S&P and Fitch had already issued similar downgrades in 2011 and 2023.

The potential impact of a declining dollar dominance is also highlighted by a [2024 study](#) by the National Bureau of Economic Research, which estimates that the dollar's dominance raises the sustainable debt limit by about 22%. Without this advantage, the U.S. would face tighter borrowing constraints and greater fiscal pressure.

As the U.S. dollar loses its global dominance, financial sanctions also become less powerful. The primacy of the dollar allows the U.S. to effectively isolate targeted individuals and economies from the global financial system. However, as dollar dominance erodes, the reach and impact of U.S. sanctions may diminish, especially as targeted actors increasingly develop alternative systems to bypass them.

If the dollar's dominance continues to fade, what comes next? Rogoff suggests that in the formal global economy, the euro and yuan are likely to gain ground. Meanwhile, in the shadow economy—which accounts for roughly a fifth of global GDP—cryptocurrencies may increasingly serve as the medium of exchange. Similarly, a paper by the Atlantic Council, titled [A Strategy for Dollar Dominance](#), argues that as the U.S. economy continues to shrink in relative size compared to the rest of the world, the foundations of dollar dominance may begin to weaken. According to the Council, no single currency—or combination of currencies—currently poses a serious challenge to the dollar's preeminence, though this may not remain the case indefinitely.

**For your Queries:
BLOMINVEST BANK s.a.l.**

Research Department

Zaituna Bay

POBOX 11-1540 Riad El Soloh

Beirut 1107 2080 Lebanon

Mira Said

mira.said@blominvestbank.com

Research Department

Tel: +961 1 991 784

research@blominvestbank.com

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