УДК 336.7

DE–DOLLARIZATION OF THE WORLD ECONOMY AS AN OBJECTIVE REALITY

A.V. Kievich
Polessky State University, a.v.kievich@yandex.ru

As we know, the second half of the twentieth century is an anomaly in which the absence of alternatives allowed the dollar to monopolize the role of the world currency. However, now, as many experts believe, the days of the dollar as the dominant reserve currency are numbered. We may well return to a time when currencies co–exist on the more equitable basis in international markets. And the speed of these changes will depend on the state of the global economy. In the meantime, there are still $8–10 trillion in global financial markets excess liquidity who are looking for their applicaition.And if earlier the domination of the dollar persisted, not including in itself a mortal threat, recently the situation has changed dramatically for the worse. And this phenomenon even has an ominous name: de–dollarization [1].

It can be seen therefore, many countries of the World, aware of the danger of the situation, are trying to get away from the dollar dependence (to the Euro is not yet so many claims), which retained for decades. For example, China, Russia, India and a number of other countries have gradually begun to conclude agreements that allow each other to accept currencies in bilateral trade. Even Europe itself sees the Euro as a reserve asset and as an international medium of exchange.

As long as Wall Street's dirty tricks and machinations provoked a crisises, such as in the Eurozone, namely Greece in 2010, countries with trade surpluses like China, Japan, and then Russia, had no alternative but to continually buy up US treasuries. Washington and Wall Street could print endless amounts of dollars, which were supported by nothing more valuable, except F–16 Fighter planes and Abrams tanks. China, Russia, and other holders of dollar bonds financed the US wars by buying up US debt. Then they had few real alternatives.

That is why, over the past few years, both Russia and China, India and a number of other countries, have been buying up huge amounts of gold, mainly to replenish the foreign exchange reserves of their Central banks, which until now have been kept, for the most part, in dollars and euros. And if until recently it was unclear why this was happening (for several years in the gold market, the largest buyers of physical gold were the Central Bank of China and Russia), then after a while it became clear how deep was the strategy they implemented, simply creating confidence in their currencies against the background of growing economic sanctions and and warlike spirit trading elite of Washington [2].

Thus, as we see it, China and Russia, which have joined their main trading partners in the BRICS countries (Brazil, Russia, India, China, South Africa) and the partner countries of the Shanghai cooperation organization (SCO), are going to complete the creation of a new monetary alternative to the dollar. These are countries with a population of more than 3 billion people, about 42% of the world's population and they unite for peaceful economic and political cooperation.

It is clear that the economic diplomacy of China and Russia, as well as the group of countries of the Eurasian economic Union, is largely associated with the construction of advanced high–speed Railways, ports, energy infrastructure, united by a new huge market, which in the next 10 years may overshadow any economic opportunities in the OECD countries of the EU and North America, suffering from huge debts. This step was historically predetermined, although until a certain point there was no certain clarity.

In continuation of this, we note that according to the report of Japan Nikkei Asian Review, China has long been going to launch oil futures nominated in yuan, which will be converted into gold (China today is the first oil importer in the world, the overwhelming amount of which is paid in dollars). And as of 26.03.2018, it became known, China launched trading in oil futures in yuan on the Shanghai international energy exchange (INE) – "Xinhua" reports about it. [3]. The opening of the auction was attended by the head of the state Committee on securities of the PRC Liu Shiyu and Secretary of the party Committee of Shanghai Li Qiang. 14 thousand contracts were made after 20 minutes of trading. Trading margin is 7%

of the total contract value. And that would jeopardize two oil futures on Wall Street: Brent and WTI, which so far have given to Wall Street huge hidden advantages and various opportunities for speculation. And if to add new oil futures, which are traded in China in yuan with the support of gold – this will allow to push the key members of OPEC and on the middle East, because they of course will prefer the yuan on a par with the dollar in that case. An example of this: the recent geopolitical risk that Qatar experienced after Trump's visit to Riyadh a few months ago.

On top of that, Latin America is also taking steps toward de–dollarization. For example, Venezuela intends to "liberate" itself from the US dollar. A Venezuelan state oil company PDVSA offered its partners a joint venture to open accounts in euros. Thus, Venezuela demonstrates the growing weakness of the US. Previously, it was thought that a small country refusing to take dollars should expect regime change in a short time. Now all has changed.

And if we consider the emergence of bitcoin and other cryptocurrencies as the preferred monetary asset of libertarians – and the monetary world will suddenly look absolutely multipolar.

Against this background, it is likely that 2018 will be the seventh consecutive year, when global economic growth will be below the average level over the past 30 years. Inflation expectations in a number of key economies will fall to new lows, private investment growth will also decline, and productivity growth will be very weak. The risk of a global recession (i.e. below 2.5% per year) remains high at this stage. And we believe that headwinds arising from 3D problems (debt, demographics, and deflation) are keys to explaining why the world economy is in a pre–crisis position.

The current macroeconomic environment increasingly resembles the situation of the 1930s. Additionally, past experience is particularly relevant today, as it was one of the periods when a number of major economies faced with the problem of 3D. Indeed, the unproductive accumulation of debt caused both the Great Depression of the 1930s and the Great Recession of 2008–2009. And the fall in private demand in connection with the subsequent process of reducing the share of borrowed funds has created an intense deflationary pressure [4].

Thus, according to analysts of Morgan Stanley Bank, the situation of the late 30s can now be repeated. However, the US economy recovered very slowly and to a faster rate of growth it started to move only after the outbreak of the Second World War. The fact is that military spending is one of the main sources of growth in the US economy. This fact was recently repeated by the former head of the FED Ben Bernanke at the panel session "The defense economy and American prosperity", organized by the Brookings Institution (Brookings Institution) at the end of 2015. [4].

And if the situation repeats itself, it is possible that the United States will need another large–scale war, which will be able to pull the country's economy out of the protracted peak. Is this not related to the current confrontation between the United States and the DPRK, the trade war between the United States and Russia, China. It is possible that the United States can solve another problem: to influence the intractable Russia and China in their quest for de–dollarization. As for us we have nothing to do but observe events.

References:

1. Киевич А.В. МИРОВЫЕ ЦБ В ЛОВУШКЕ QE. // В книге: Банковская система: устойчивость и перспективы развития. Сборник научных статей восьмой международной научно–практической конференции по вопросам банковской экономики, посвященной году науки в Беларуси. Полесский государственный университет. 2017. С. 72–76.

2. Киевич А.В. Дедолларизация мировой экономики как объективная реальность / А.В. Киевич // Вопросы экономики и права. 2017. № 108. С. 33–37.

3. Аналитический обзор gazeta.ru. Электронный ресурс. Доступно на: https://www.gazeta.ru/business/news/2018/03/26/n_11333623.shtml?updated.– Дата доступа: 26.03.2018 г.

4. Аналитический обзор vestifinance.ru. Электронный ресурс. Доступно на: http://www.vestifinance.ru /articles/72057.– Дата доступа: 27.03.2018 г. 13:48