



XIII Annual Conference on the World
Economy 'BRICS and Rethinking the Global
Economic Order'

Faculty of the World Economy and
International Affairs, Higher School of
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Approaches to an alternative international monetary system

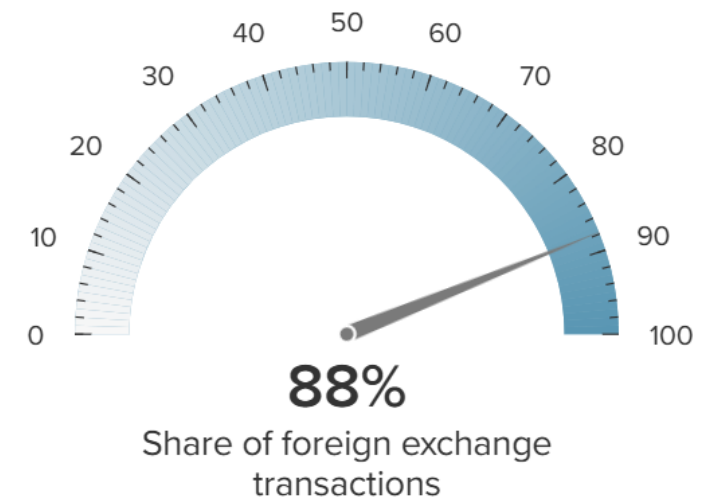
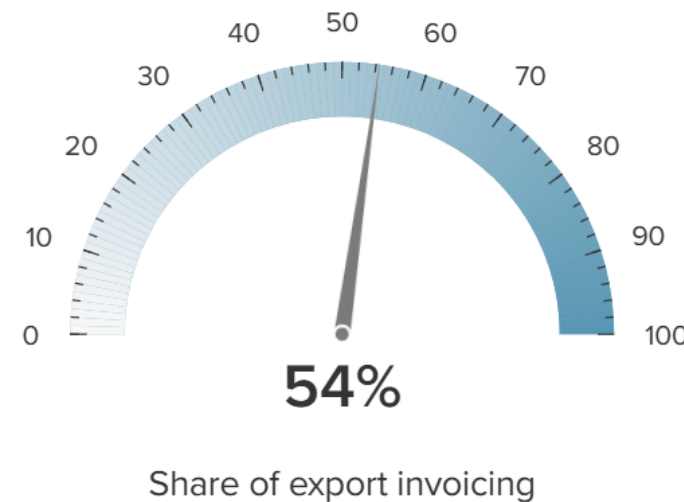
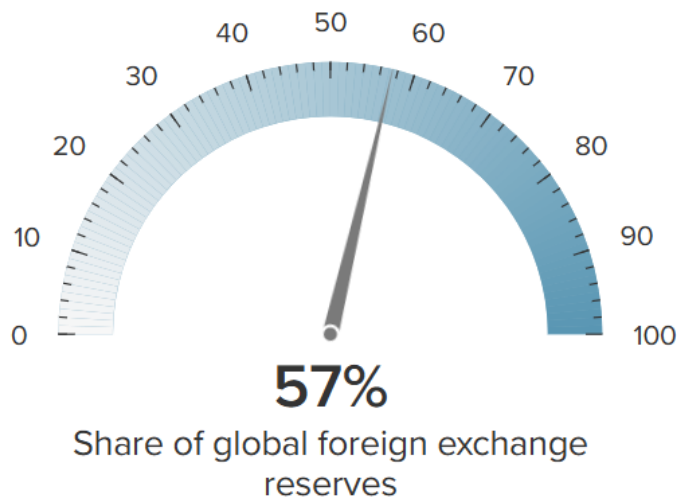
The presentation is part the output of a research project "Approaches to an Alternative International Monetary system" associated with the "International academic cooperation" project of the HSE University

Anastasia Podrugina, PhD, head of the Section of Structural Global Economic Problems, CCEIS,
Associate professor School of World Economy, HSE, apodrugina@hse.ru



Dollar dominance today

- The dollar's role as the primary global reserve currency remains secure in the near and medium term.
- Dollar serves as the main unit of account, medium of exchange, and store of value in global trade and finance.
- Most international debt and financial assets are denominated in dollars



Some countries encourage usage of the local currencies in the international settlements

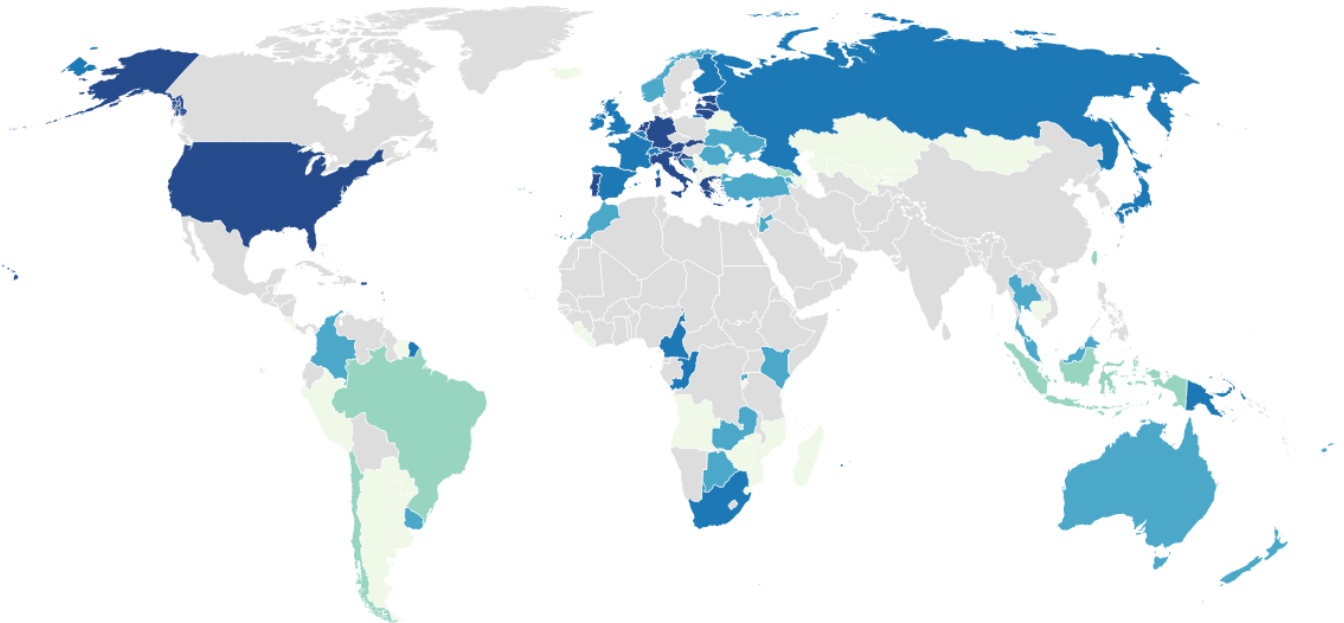
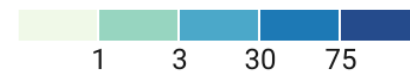
Dominant currency paradigm

Most trade is invoiced in a third, dominant currency (today, USD) and prices sticky in that currency.

(Gopinath et al., 2020)

- Euro as a regional equilibrium
- Chinese effort for yuan internationalization (though there are discrepancies)
- Russia shifts to the local currencies under the pressure of sanctions
- ASEAN de-dollarization

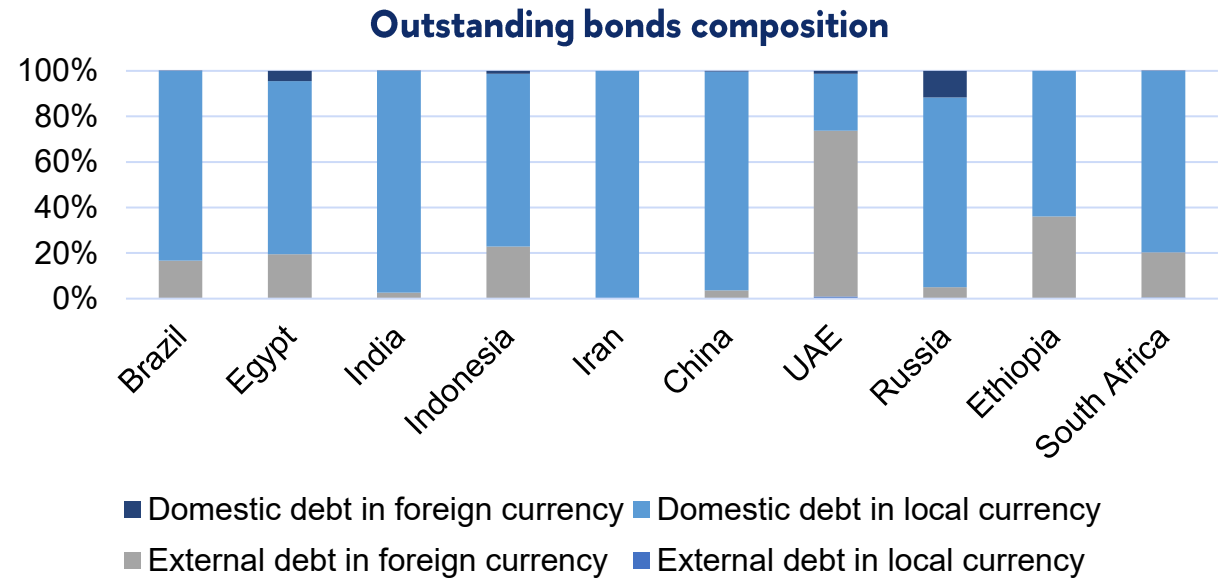
National currency share in the export international settlements



Dollar is dominant in the international debt, but some countries manage to use LC

Original Sin - the inability of many emerging economies to borrow abroad in their own currency (and/or at long maturities, fixed rates), forcing them into foreign-currency (FX) debt and currency mismatch on public and private balance sheets.

(Eichengreen, Hausmann, Panizza, 2005): Original sin is not associated with standard measures of policies and institutions, the only variable strongly associated with it is **country size**, as proxied by aggregate GDP.



HSE/UNICAMP "Approaches to an Alternative International Monetary System"

- (Eichengreen, Hausmann, Panizza, 2023): Some middle-income countries have succeeded in developing markets in local-currency sovereign debt and attracting foreign investors, they continue to hedge their currency exposures through transactions with local pension funds and other resident investors
- (Han, 2025): original sin dissipation is related to the growth in capital markets in emerging market economies

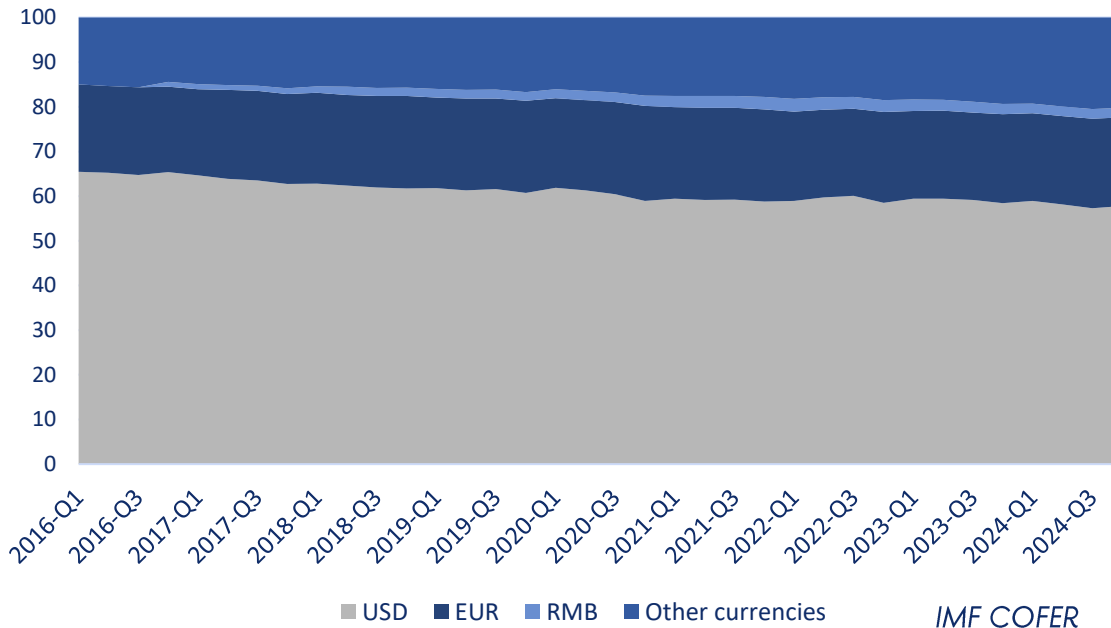


Dollar dominance in reserve currencies

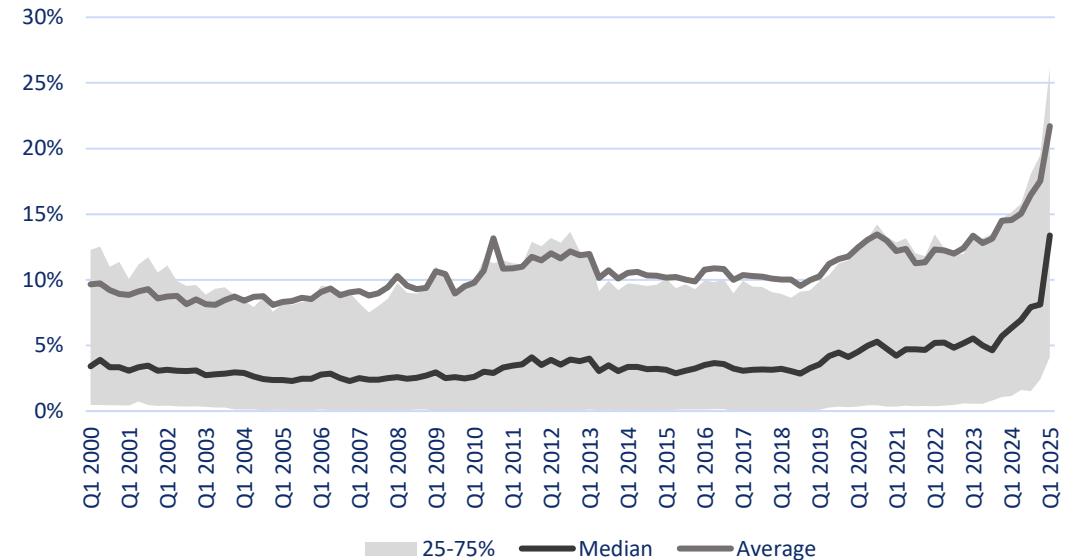
Mercury and Mars hypothesis

Mercury (commerce): trade links, financial depth/liquidity, openness, credibility, network effects
Mars (geopolitics): military power, security alliances, strategic dependence, sanction risk
(Eichengreen et al., 2016)

International reserves composition



Gold share in the international reserves





BRICS quest for the financial sovereignty

- BRICS settlements in national currencies are increasing. The share of the Russian ruble in payments for both exports and imports exceeded 40%, with China – more than 90%. Yuan in China-ASEAN trade is roughly 28%.
- India and Russia attempt at rupee settlements created large rupee balances (Vostro) that Moscow struggled to use.
- New Development Bank (NDB) steadily raises local-currency funding and lends in RMB, ZAR, INR as well as USD. 25% of the bank's lending portfolio is already denominated in local currencies
- CBDC development in most of the BRICS countries

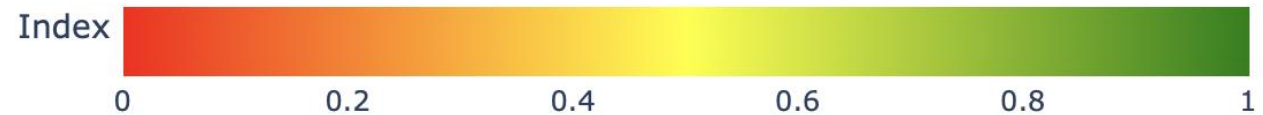
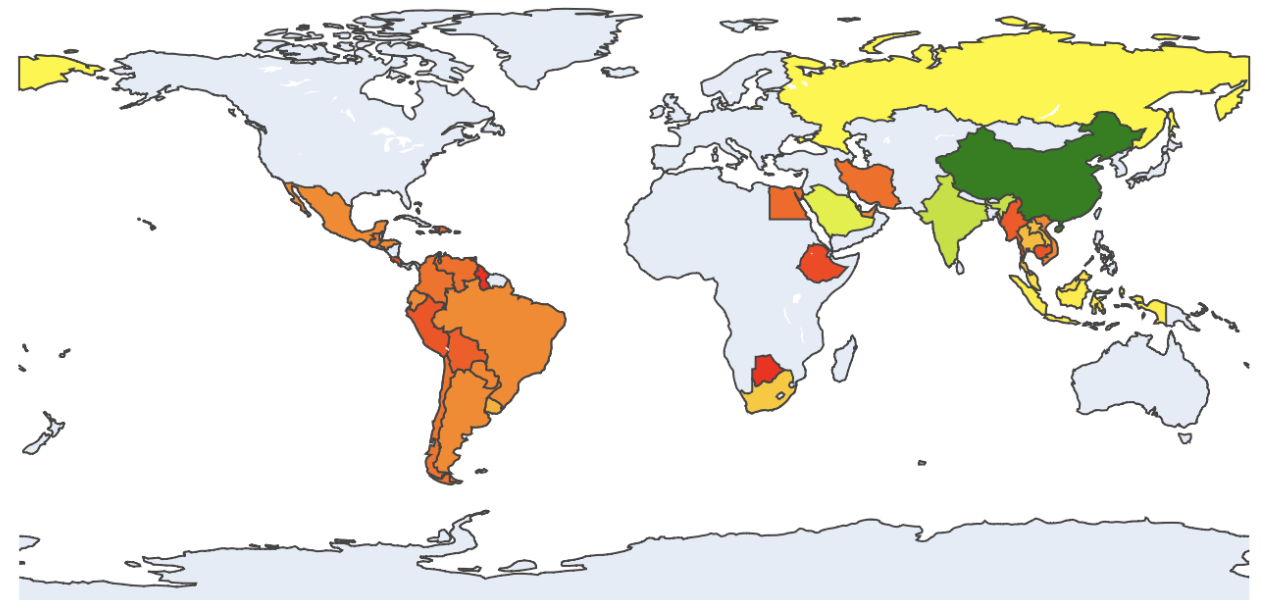
Institutional framework

- New Development Bank
 - Swap-lines with China as a driver
 - Payment system development
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- Contingent Reserve Agreement (the swap-like pool exists on paper but has not been activated)
 - BRICS Bridge and BRICS Pay (international settlement system does not operate yet)
 - BRICS Local Currency Bond Fund (proposed)
 - The BRICS Exchange Alliance (does not fully operate)
 - BRICS Grain Exchange (does not fully operate)
 - Interbank Cooperation Mechanism (does not fully operate)

Index of Institutional Development of the Financial Market in National Currencies for BRICS Countries

Index components:

1. Use of national currency in international settlements ((Boz, 2025) + SAFE for China)
2. Currency swap-lines between central banks (including pools of liquidity)
3. Development of national payment system (financial massaging systems, fast payment systems, development of CBDC)
4. Development of financial markets in national currency (OTC currency turnover, original sin, development banks' bonds)





Conclusion and discussion

There is a gradual shift away from the dominance of the US dollar, and this process can be traced both at the micro level (the choice of currency for settlements, reserves and contracts) and at the macro level – through the formation of new institutional mechanisms and arrangements.

1. Formation of multiple equilibria in the global monetary system is possible, where instead of a single dominant currency there will be several regional centers, including those based on the national currencies of the BRICS countries.
2. Parameters of this equilibrium are in question due to some differences in agenda and the level of the financial sovereignty for BRICS countries. Future institutional arrangements may influence the parameters of this new equilibrium.

