

CONCEPT NOTE AND AGENDA

DE-DOLLARIZATION, THE GLOBAL PAYMENT INFRASTRUCTURE, AND WHOLESALE CENTRAL BANK DIGITAL CURRENCIES

VIRTUAL SEMINAR

Tuesday, July 16th, 2024,
10:00-11:30 am (EST)

BACKGROUND

The United States dollar has been the dominant international currency for over 70 years. It maintains this role – characterized by its globally predominant use in trade invoicing, payment settlement, debt issuance, exchange-rate anchor, and reserve currency status - despite the collapse of the gold standard in the 1970s. Global South countries often have to take steps to reduce the risk of being affected by the spillover effects of the United States monetary policy and ensuing global liquidity cycles. These steps often involve keeping expensive foreign currency reserves, mostly in the form of dollars, and getting access to dollars in situations of balance-of-payments crises.

A significant discussion in de-dollarization is gaining momentum, and the declining share of the United States dollar global transactions indicate this shift. This movement is driven by various factors, including the desire for economic sovereignty, deepening financial integration, minimizing vulnerability to US monetary policy and economic sanctions, and exchange market volatility management. Other initiatives aim to diversify foreign exchange reserves to include more euros, yen, yuan, and gold and issue and use non-dollar-denominated bonds and financial instruments. Furthermore, there are institutional innovations by China and the BRICS, which though show that the demand for dollarization is high, they do not offer credible alternatives to the dollar's characteristics. On the other hand, new financial technology gaining ground in CBDCs, and related changes in cross-border payment infrastructure could reduce the effects that have sustained dollar dominance.

OBJECTIVE

The objective of the seminar is to review the trend on dollar dominance, de-dollarization, and the prospects of the emergence of distributed ledger technology (DLT) based wholesale Central Bank Digital Currencies (with foreign exchange conversion layer) as credible alternatives. In addition, the seminar will review the institutional frameworks – legal, regulatory and supervisory – required to benefit from the changes.

KEY ISSUES FOR DISCUSSION

- Trends in the usage of the US dollar.
- Current dollar-based global payment infrastructure.
- Trends and motivation for de-dollarization.
- Potential role of new digital alternatives, blockchain technology, and CBDCs.
- Institutional, legal, regulatory and supervisory issues.

AGENDA

<i>Time</i>	<i>ITEMS</i>
<i>10:00-10:05 am</i>	<p><i>Introduction and Opening Remarks</i></p> <p>Iyabo Masha, G-24 Director</p>
<i>10:05-10:25 am</i>	<p><i>De-dollarization trends, potential role of new digital alternatives and CBDCs</i></p> <p>Speaker: Jörg Mayer <i>Independent Consultant and former Senior Economist at UNCTAD</i></p> <ul style="list-style-type: none"> • Trends and motivation for de-dollarization. • Potential role of new digital alternatives, blockchain technology, and CBDCs. • Institutional, legal, regulatory and supervisory issues.
<i>10:25-10:45 am</i>	<p><i>Dollarization and de-dollarization in the international monetary system</i></p> <p>Speaker: Barry Eichengreen <i>Professor of Economics and Political Science, University of California, Berkeley</i></p> <ul style="list-style-type: none"> • Financial and geopolitical crises and the rise and fall of the dollar. • Technology and the future of US dollar dominance. • The international monetary system, capital flows, payments and settlements in a de-dollarized world. • Potential role of the SDR as a replacement global reserve currency
<i>10:45-11:00 am</i>	<p><i>Interventions by invited G-24 Members and Speakers</i></p> <ul style="list-style-type: none"> • Jon Frost, <i>Head of Economics for the Americas, Bank for International Settlement</i> • Gabriel Soderberg, <i>Financial Sector Expert at the International Monetary Fund and Associate Professor at Uppsala University</i>
<i>11:00 -11:10 am</i>	<i>Q and A</i>
<i>11:10-11:20 am</i>	<i>Response by Speakers</i>
<i>11:20 -11:25 am</i>	<i>Wrap-up by Moderator</i>
<i>11:25-11:30 am</i>	<i>Closing remarks</i>

SPEAKERS BIO

JÖRG MAYER



Mr. Mayer is an Independent consultant and former senior economist at the United Nations Conference for Trade and Development (UNCTAD) where he was part of the team that prepared the UNCTAD annual Trade and Development Report. Before joining the United Nations in 1991, he was an economist in the International Department of the German Central Bank. His expertise includes development strategies and the interrelationships between macroeconomic policies, trade, investment, employment, and growth. He has published his work in peer-reviewed journals, books, and conference volumes. He holds a PhD in economics from the European University Institute in Florence (Italy).

BARRY EICHENGREEN



Mr. Eichengreen is George C. Pardee and Helen N. Pardee Chair and Distinguished Professor of Economics and Professor of Political Science at the University of California, Berkeley, and was Senior Policy Advisor at the International Monetary Fund between 1997-1998. He is a Research Associate of the National Bureau of Economic Research, and at the Centre for Economic Policy Research. Professor Eichengreen is also a fellow of the American Academy of Arts and Sciences (class of 1997), a distinguished fellow of the American Economic Association (class of 2022), a corresponding fellow of the British Academy (class of 2022), and a Life Fellow of the Cliometric Society (class of 2013). He has held Guggenheim and Fulbright Fellowships and has been a fellow of the Center for Advanced Study in the Behavioral Sciences (Palo Alto) and the Institute for Advanced Study (Berlin). For 15 years from 2004, he served as convener of the Bellagio Group of academics and officials.

READINGS

- Eichengreen, Barry, (2011), *Exorbitant Privilege. The Rise and Fall of the Dollar and the Future of the International Monetary System*, Oxford: Oxford University Press, 2010, 224 pages, ISBN: 780-199753789
- Mayer, Jorg (2023). De-Dollarization: The Global Payment Infrastructure and Wholesale Central Bank Digital Currencies https://www.imk-boeckler.de/de/faust-detail.htm?sync_id=HBS-008861.
- UNCTAD (2023). Crypto assets and central bank digital currencies: potential implications for developing countries. UNCTAD/GDS/2023/1, https://unctad.org/system/files/official-document/gds2023d1_en.pdf.
- Xu J (2022). Developments and implications of central bank digital currency: The case of China e-CNY. *Asian Economic Policy Review*, 17(2): 235–250, <https://doi.org/10.1111/aep.12396>.