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THE FUTURE OF THE U.S. DOLLAR AND QATAR'S STRATEGIC MONETARY POSITIONING IN A FRAGMENTING GULF ORDER

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Ferid Belhaj served as World Bank Vice President for the Middle East and North Africa from July 2018. In this role, he led the Bank's strategic engagement across one of the world's most dynamic and challenging regions. Prior to this appointment, he served as Chief of Staff to the President of the World Bank Group for fifteen months.

From 2012 to 2017, Mr. Belhaj was World Bank Director for the Middle East, based in Beirut, Lebanon, overseeing work programmes in Lebanon, Syria, Jordan, Iraq, and Iran. Before his Mashreq assignment, Mr. Belhaj served as World Bank Director for the Pacific Department (2009-2012), where he developed a regional strategy that tripled lending operations of the International Development Association (IDA), the World Bank Group institution.

From 2007 to 2010, Mr. Belhaj was the World Bank's Special Representative to the United Nations in New York, engaging with UN agencies on climate change, the Millennium Development Goals, fragile and post-conflict states, and the global financial and food crises. He also served as World Bank Country Manager for Morocco (2002-2007).

A Tunisian national, Mr. Belhaj joined the World Bank in 1996 as Senior Counsel in the Legal Department, managing legal and judicial reform projects across Egypt, Morocco, Iran, Algeria, and Thailand. Before joining the Bank, he served as Deputy Chief of Mission of the Tunisian Embassy to the United States (1992-1996), and as Legal Adviser to the Permanent Mission of Tunisia to the United Nations (1988-1992). Mr. Belhaj joined the Tunisian Foreign Service in 1986, serving initially as Special Assistant to the Minister of Foreign Affairs.

Abstract

This essay looks at today's global monetary system through a realist lens and asks what it means for countries like Qatar. Its main argument is simple: the global financial system is not neutral or purely technical. It is shaped by power. Some countries have more influence because they control key parts of the system—such as access to liquidity, safe financial assets, legal authority, and global financial networks.

Since the end of World War II, the U.S. dollar has been at the center of this system. It is the main currency held by central banks, widely used in global trade, and essential to how financial markets operate. In times of crisis, the United States also plays a unique role in stabilizing the system by providing liquidity.

Today, however, this dollar-based system is changing in visible ways. Tools like financial sanctions, the freezing of reserves, and control over payment systems have shown that finance can be used as a political weapon. More countries now see the financial system not just as a way to support trade, but also as an instrument of power. At the same time, global trade is shifting toward Asia. Many countries now trade more with Asia while still relying heavily on the dollar for finance. This creates a kind of split system.

The essay argues that major currency systems do not change quickly. The dollar remains dominant because of strong foundations: large and liquid financial markets, trusted institutions, and its central role in times of crisis. Other currencies, including China's renminbi, are growing in importance, but they are still limited. The most likely future is not the end of the dollar, but a more layered system—with the dollar at the core and other options growing around it.

This matters especially for Gulf countries like Qatar. Their currencies are linked to the dollar for practical reasons, including oil and gas pricing and access to global financial markets. At the same time, their trade is increasingly oriented toward Asia. This creates a dual reality: economically tied to Asia, but financially anchored to the dollar.

Given this, the essay suggests a pragmatic path forward for Qatar over the next two decades. The priority should be stability anchored in credibility. Absent any systemic disruption of the global financial order—arising from unforeseen and irresistible crises—Qatar would be well served to maintain its currency peg to the dollar, preserving the advantages of liquidity, trust, and integration into global markets. At the same time, this stability should not imply rigidity. Quiet but deliberate preparation is essential: diversifying payment channels, strengthening domestic financial

institutions, and maintaining robust reserve buffers. Sovereign wealth, in this context, should not be viewed solely as an investment vehicle, but as a strategic shield—capable of absorbing external shocks should the international monetary system enter a phase of turbulence.

Looking ahead, the essay outlines three possible futures: one where the dollar remains firmly dominant, one where it faces growing competition but stays central, and one where a major crisis disrupts the system. In all cases, the lesson is the same: smaller countries cannot reshape the global system, but they can position themselves wisely within it.

In a world where finance and geopolitics are increasingly linked, the real challenge is not to escape the system, but to build resilience within it. For Qatar, this means staying anchored to the dollar while preparing for a more complex and uncertain global financial landscape.

Executive Summary

The global monetary system is not just a neutral system for moving money. It reflects power. Some countries have more influence because they control key parts of finance—such as access to liquidity, safe assets, legal systems, and global payment networks.

Since 1945, the U.S. dollar has been at the center of this system. It is used as a reserve currency, for trade, for borrowing, and as a source of stability in crises. Its dominance comes from strong foundations: deep financial markets, trusted institutions, global reach, and the ability of the United States to provide liquidity when others cannot.

That dominance still exists today. But it is now more visible—and more political. Tools like sanctions, reserve freezes, and control over payment systems show that access to the dollar system can be restricted. Finance has become a tool of power, not just economics.

This paper argues that the dollar will remain the main global currency for the foreseeable future. However, it will face more competition and scrutiny. Other systems—regional payment networks, alternative currencies, and diversified reserves—will grow, but mostly at the margins. The most likely outcome is not a sudden shift, but a more layered system: the dollar at the core, with other options developing around it.

For Qatar, the key question is not whether to move away from the dollar. It is how to stay stable while becoming more flexible in a more political financial environment.

The strategy is straightforward:

1. Keep the currency linked to the U.S. dollar to maintain stability and confidence.
2. Gradually build alternative payment options without drawing attention.
3. Use sovereign wealth as a financial buffer in times of stress.
4. Reduce risks linked to overdependence on any single financial channel.
5. Strengthen domestic financial institutions to support long-term resilience.
6. Position Doha as a reliable financial center in the Gulf.

In a changing global system, smaller countries cannot reshape the rules. But they can position themselves wisely. Stay anchored. Stay flexible. Act strategically.

Introduction: Monetary Order in an Era of Strategic Rivalry

Monetary systems are often described as technical tools that help countries trade, control inflation, and move capital across borders. In practice, they reflect power. They shape who can borrow at low cost, who receives support in times of crisis, whose laws govern financial disputes, and whose rules guide global markets. They distribute advantages and risks across countries and societies. They also determine who carries the burden when adjustments are needed.

Finance operates as a form of power. Markets, payment systems, reserve assets, and financial networks act as channels through which global power is exercised every day. The language of finance may sound technical—liquidity, risk, compliance—but behind it lies a simple reality: monetary systems mirror the balance of power in the world.

Since the end of the Second World War, the global monetary system has been built around a clear imbalance. The United States issues the currency that much of the world uses for trade, borrowing, investment, and crisis management. The dollar plays several roles at once: it is the main reserve currency, the main currency for trade, a key source of financing, and a central tool in stabilizing crises. This gives the United States influence that goes well beyond normal economic power. It allows it to shape rules, enforce sanctions, and provide liquidity on a global scale.

The Bretton Woods agreement in 1944 formalized this system by creating institutions such as the International Monetary Fund and the World Bank. These institutions supported a dollar-based system linked to gold. Over time, the strength of the dollar came to rely less on formal rules and more on deeper foundations: the size of the U.S. economy, the depth of its financial markets, trust in its institutions, its global security presence, and its ability to act in times of crisis.

When the United States ended the link between the dollar and gold in 1971, many expected the system to weaken. Instead, it adapted. Confidence shifted toward U.S. financial markets, especially government bonds, which became the world's main safe asset. Investors relied on the stability, liquidity, and predictability of the U.S. system. Over time, the dollar became deeply embedded in global finance.

As this system grew, it started to feel natural. Countries used the dollar because it was efficient and widely accepted. Banks cleared transactions in dollars. Commodities were priced in dollars. Central banks held dollar reserves to manage their currencies. Each of these choices reinforced the system.

Today, the political nature of this system is more visible. Financial tools such as sanctions, asset freezes, and restrictions on payment systems show that access to the dollar system can be controlled. The same networks that support global trade can also limit it. Finance now plays a clear role in geopolitics.

The freezing of Russian central bank reserves in 2022 made this especially clear. It showed that assets held in major financial centers are subject to legal and political decisions. It also sent a broader signal: participation in the global financial system comes with conditions.

At the same time, global trade patterns are changing. Asia has become a major driver of global demand, with China at the center of manufacturing and energy consumption. Energy exports from the Gulf are increasingly directed toward Asia rather than Europe or North America. The global economy is shifting eastward.

For Gulf countries, this creates a dual structure. Trade is moving toward Asia, while financial systems remain tied to the dollar and Western markets. Their currencies are linked to the dollar. Their reserves and investments are largely in dollar assets. Energy is still priced in dollars. This creates a gap between where they trade and how they manage their finances.

This gap will shape future policy choices. For countries like Qatar, the issue goes beyond whether the dollar remains dominant. The key question concerns how to maintain flexibility within a system that still revolves around the dollar while the global economy evolves.

China's growing role, new payment systems, and discussions about currency diversification suggest gradual change. Still, the dollar's position remains strong because it rests on deep financial markets, trusted institutions, open capital flows, and the ability to provide liquidity in crises. These are difficult to replicate.

The global monetary system is therefore likely to evolve slowly. A more layered structure may emerge, with the dollar at the center and other systems developing around it. This will increase complexity without replacing the core role of the dollar.

For smaller and medium-sized countries, the challenge lies in managing this environment. They can strengthen resilience by diversifying financial exposure, improving reserve management, and building stronger domestic institutions, while maintaining stable monetary anchors.

This paper takes a realist approach. It starts from a simple idea: the international system reflects differences in power. Monetary systems form part of that structure. They operate as tools through which power is exercised and maintained.

The paper has three main goals.

First, it explains how the global monetary system works as a hierarchy shaped by power rather than as a neutral system.

Second, it traces how the dollar became dominant and why it remains central today.

Third, it applies this analysis to Qatar, focusing on how it can strengthen its position between 2026 and 2045.

The aim is practical. The question is not whether the dollar will collapse or whether a new system will replace it. The focus is on how countries can operate effectively within the existing system. Monetary structures change slowly, but strategic choices still matter.

In a period of growing geopolitical rivalry, the political nature of monetary systems is becoming clearer. Recognizing this reality is the first step toward managing it.

Part I — Doctrine: Monetary Order as Hierarchy

1. Realism and the Monetary Question

Many discussions of global finance focus on markets working efficiently, rules creating stability, and countries benefiting from cooperation. In that view, the monetary system looks like a shared framework that helps trade flow, keeps currencies stable, and manages crises through institutions.

A realist view starts from a different place. It recognizes that countries do cooperate, but it also sees that power is uneven. Some countries have stronger institutions, more credibility, and greater ability to enforce rules or exit the system when needed. Rules operate within this balance of power, and that balance shapes how they are applied.

Global finance works as more than a market. It functions as a system where countries pursue their interests. It influences who can borrow cheaply and who pays more, who sets the rules and who follows them, and who can manage crises while others absorb the shock.

Currencies sit at the center of this system. A dominant currency reflects strong foundations: deep financial markets, credible institutions, reliable legal systems, global influence, and the ability to provide liquidity in times of crisis. These factors build trust at scale.

This leads to a simple conclusion: the monetary system operates as a hierarchy. The country issuing the leading currency enjoys clear advantages, including lower borrowing costs and greater influence over global finance. Other countries operate within this structure with more constraints and face greater pressure during economic stress.

Understanding this hierarchy helps explain the choices countries face.

2. Morgenthau and Monetary Prudence

Hans Morgenthau argued that countries define their interests in terms of power.[1] Power goes beyond military strength. It includes the ability to shape the environment in which others operate and to influence outcomes.

Applied to money, this means that a leading currency serves as a strategic asset. It strengthens a country's position in the world.

Three types of monetary power stand out:

· Liquidity power: the ability to provide money to the global system, especially in times of crisis. The United States has played this role repeatedly, including during the 2008 financial crisis and the 2020 pandemic, by supplying dollars to other central banks.

· Regulatory power: the ability to set the rules of the financial system. U.S. institutions influence how global financial transactions are conducted.

· Exclusion power: the ability to restrict access to the system through sanctions or asset freezes. This turns finance into a tool of pressure.

Morgenthau also emphasized prudence.[1] Power needs to be used carefully. Heavy use of financial pressure can push other countries to look for alternatives. A balance is needed between influence and trust.

3. Gilpin and Hegemonic Monetary Order

Robert Gilpin explained that stable global economic systems tend to emerge when a dominant country possesses both the capacity and the willingness to sustain them.[2]

After World War II, the United States accounted for a large share of global production, held most of the world's gold reserves, and commanded unmatched military power. It used this position to construct an international economic order that facilitated trade, reconstruction, and financial stability. The dollar became the central pillar of this system.

When the link between the dollar and gold was severed in 1971—during the Nixon Shock—many observers expected the system to unravel. Instead, it adapted. The dollar remained dominant because the underlying foundations of American power persisted: deep and liquid financial markets, credible institutions, and global geopolitical reach.

It was in this context that U.S. Treasury Secretary John Connally famously told European counterparts: "The dollar is our currency, but it is your problem." The remark was not simply rhetorical bravado. It captured a structural reality of hegemonic monetary orders: the issuer of the dominant currency retains policy autonomy, while the rest of the world absorbs the externalities.

For surplus and deficit countries alike, dollar dependence creates constraints. Exchange rate adjustments, inflationary pressures, and capital flow volatility are often transmitted outward from U.S. domestic decisions. In effect, the system externalizes part of the cost of adjustment to others, while preserving flexibility at the center.

This illustrates a broader point: monetary systems are ultimately anchored in power. As long as the political, financial, and security foundations of the dominant state remain intact, the system endures—even when its formal rules change. Replacing such a currency requires far more than economic scale. It demands the construction of comparable financial depth, institutional credibility, and geopolitical influence—conditions that are difficult to replicate and even harder to synchronize.

4. Susan Strange and Structural Power in Finance

Susan Strange introduced the idea of structural power—the ability to shape the system itself, not just outcomes within it.[4]

In finance, this means controlling how credit flows, how investments are priced, and how money moves across borders. The United States holds this kind of influence. Its financial markets are the largest and most liquid. Its government bonds serve as the main safe asset. Its rules and systems guide global finance.

This influence operates quietly. Countries follow these structures because they work efficiently and reliably. Leaving the system is difficult because alternatives lack the same depth and trust.

Structural power shapes choices before decisions are even made.

5. Benjamin Cohen and Currency Hierarchy

Benjamin Cohen described the global currency system as a pyramid.[5] At the top sits the leading currency, used widely for trade, reserves, and finance. Below it are other currencies with more limited roles.

Today, the dollar sits at the top. Other currencies, like the euro or yen, play important roles but remain secondary. The Chinese renminbi is growing but still faces limits.

This structure persists because of network effects. The more a currency is used, the more useful it becomes. Businesses prefer widely accepted currencies. Investors prefer deep and liquid markets. Central banks prefer assets they can rely on in crises.

These forces reinforce each other. Over time, they make the system stable and slow to change. Building a competing system requires many years and strong institutions.

6. Kindleberger and the Public Goods Dilemma

Charles Kindleberger focused on the need for global stability.[8] He argued that the global economy requires certain key functions: a source of liquidity in crises, open markets, and a stable monetary framework.

After World War II, the United States took on these roles. It provided liquidity, supported open markets, and helped coordinate responses through institutions like the IMF.

The Federal Reserve's swap lines show this clearly. During crises, they provide dollars to other countries to stabilize their financial systems. This strengthens the dollar's role while supporting global stability.

And this creates a dual reality. The system allows for pressure through financial restrictions, but it also provides support in times of need. Countries may question its fairness, yet they rely on it during crises.

Taken together, these perspectives point to a clear conclusion. The global monetary system functions as a hierarchy shaped by power. It operates as more than a technical system. It reflects how influence, stability, and risk are distributed across countries.

Understanding this structure helps countries make better strategic choices within it.

Part II — Historical Arc: From Bretton Woods to Weaponized Interdependence

If the global monetary system works as a hierarchy, its strength can only be understood through history. These systems do not appear overnight, and they do not survive simply because people are used to them. They change with shifts in trade, technology, and power. The dollar system we see today grew over time. It began with Bretton Woods, adapted after the end of the gold link, expanded through financial globalization, and now operates in a world where finance and geopolitics are increasingly connected.

Looking at this history helps explain both why the dollar remains so strong and why other countries still face limits when they try to gain more monetary independence.

7. Bretton Woods and the Institutionalization of Hierarchy

The Bretton Woods conference in 1944 is often described as a cooperative effort to create a stable global monetary order after the turmoil of the interwar years. It created the International Monetary Fund and the World Bank and set rules for exchange rates and financial support.

But Bretton Woods also reflected a much deeper reality: the United States already held exceptional power, and the new system formalized that position.

At the end of World War II, the United States stood at the center of the world economy. It produced a huge share of global industrial output, held most of the world's gold, and had escaped the physical destruction suffered by Europe and Asia. It also emerged as the main military power able to support the security of the Western world.

This gave the United States the ability to shape the postwar system. Exchange rates were fixed around the dollar, and the dollar itself was tied to gold at $35 an ounce. The system looked multilateral, but the dollar clearly sat at its center.

The IMF was created to help countries manage exchange rate problems and balance-of-payments pressures. The World Bank was built to support reconstruction and development. These institutions gave the system rules and governance.

The deeper foundation of the system, however, lay in American economic strength and security leadership. The Marshall Plan helped rebuild Europe. U.S. markets absorbed allied exports. Military alliances such as NATO supported the wider political order. The dollar's credibility rested on this larger structure.

Bretton Woods therefore embedded monetary hierarchy inside a broader system of markets, institutions, and alliances. The dollar served as more than a unit of payment. It became the financial expression of a wider American-led order.

8. The Nixon Shock and Systemic Adaptation (1971)

In 1971, the United States ended the dollar's convertibility into gold, effectively dismantling the central monetary anchor of the Bretton Woods system. Many at the time believed that this rupture would trigger the system's collapse.

It did not. As noted earlier, the system did not disappear—it evolved. The formal constraint of gold was removed, yet the structural foundations of American monetary dominance remained intact, allowing the dollar to retain its central role.

It is in this light that one should recall the blunt and enduring remark of John Connally to America's allies: "The dollar is our currency, but it's your problem." Far from a moment of diplomatic excess, the statement distilled a deeper reality: even stripped of its gold anchor, the dollar's power rested not on rules alone, but on the underlying asymmetry of economic and geopolitical strength.

The immediate result was a move toward floating exchange rates. Major currencies began to rise and fall more freely. This brought uncertainty, but it also gave countries more flexibility in monetary policy.

More importantly, the true foundations of dollar power were stronger than the gold link. The United States still had the world's largest financial markets, the deepest government bond market, and institutions that global investors trusted.

The growth of the U.S. Treasury market became especially important. Treasury securities emerged as the main safe asset in the world. Central banks, sovereign wealth funds, and private investors all relied on them.

At the same time, developments in energy markets strengthened the dollar further. After the oil shocks of the 1970s, oil continued to be priced in dollars. Gulf oil exporters earned large dollar revenues and invested much of that money back into Western financial markets, especially U.S. assets.

World's Largest Equity Markets by Market Capitalisation (End-2024)

Rank	Exchange	Country	Market Cap (USD tn)	Share of Global Market
1	New York Stock Exchange (NYSE)	United States	~$28.4	~23%
2	Nasdaq	United States	~$25.4	~20%
3	Shanghai Stock Exchange (SSE)	China	~$8.9	~7%
4	Japan Exchange Group (JPX/TSE)	Japan	~$7.6	~6%
5	Euronext	Europe (pan-EU)	~$7.2	~6%

The top two US exchanges account for ~43% of global equity market capitalisation — more than the next eight combined.

Source: World Federation of Exchanges (WFE), FY 2024 Market Highlights Report, February 2025.

This process, often called petrodollar recycling, deepened the scale and liquidity of dollar markets. The end of the gold link therefore changed the system without weakening its core. The dollar order adapted and became more market-based.

9. Financial Globalization and Market Deepening (1980s–2000s)

From the 1980s onward, financial globalization expanded rapidly. Many countries opened their capital accounts, allowing money to move more freely across borders. Financial innovation created new tools to manage risk, including derivatives tied to interest rates, currencies, and commodities.

These changes strengthened the dollar system even more.

The U.S. Treasury market kept growing and became the main benchmark for pricing risk around the world. Treasury yields served as the reference point for many other financial assets.

Global banks also became more dependent on dollar funding. Banks across many countries borrowed and lent in dollars, often through offshore markets. Dollar credit expanded across trade, investment, and global business activity.

Derivatives markets reinforced this trend. Many key instruments were priced and settled in dollars. As financial networks became more complex, access to dollar liquidity and dollar settlement became even more important.

By the early 2000s, the dollar had become more than the main reserve currency. It had become the operating system of global finance. Trade contracts were written in dollars even when the United States was not involved. Companies around the world issued debt in dollars. Commodities continued to be priced in dollars.

Each new use of the dollar made the whole system stronger. The network kept reinforcing itself. Payment systems, market rules, and financial institutions all adapted to the central role of the dollar.

This phase turned the monetary hierarchy into a vast global network, with the dollar at its center.

10. The 2008 Financial Crisis: Reinforcement Through Shock

The 2008 financial crisis began in the United States, so many expected it to weaken trust in the dollar system.

Instead, the crisis strengthened it.

As panic spread, investors rushed into U.S. Treasury securities. Even though the crisis came from the American financial system, global capital still viewed Treasuries as the safest place to go.

The Federal Reserve also played a critical role. It opened large currency swap lines with other major central banks, allowing them to access dollar liquidity and support their own financial systems.

Federal Reserve Swap Lines (2008 Crisis)

Date	Central Bank
December 12, 2007	European Central Bank, Swiss National Bank
September 18, 2008	Bank of Japan, Bank of England, Bank of Canada
September 24, 2008	Reserve Bank of Australia, Sveriges Riksbank, Norges Bank, Danmarks Nationalbank
October 28, 2008	Reserve Bank of New Zealand
October 29, 2008	Banco Central do Brasil, Banco de Mexico, Bank of Korea, Monetary Authority of Singapore

The Fed extended swap lines to 14 central banks during the 2008 crisis, with peak outstanding amounts reaching approximately $583 billion in December 2008.

Source: Federal Reserve Board, Historical swap line data; Bahaj & Reis (2022), "Central Bank Swap Lines," Review of Economic Studies. Federal Reserve Bank of New York (2010), Current Issues in Economics and Finance, Vol. 16, No. 4.

This showed something fundamental: in a global crisis, no other central bank could supply liquidity on the same scale as the Federal Reserve. The crisis exposed the system's dependence on American institutions and, in doing so, reinforced the dollar's central role.

11. Pandemic Liquidity and Network Centrality (2020)

A similar pattern appeared during the shock caused by the COVID-19 pandemic in 2020. Markets became highly volatile, trade slowed sharply, and the demand for dollars rose again.

The Federal Reserve responded by expanding swap lines and creating new facilities to stabilize global liquidity. One important tool was the FIMA Repo Facility, which allowed foreign central banks holding U.S. Treasuries to obtain temporary dollar liquidity without selling those assets into stressed markets.

These steps showed how deeply global finance depended on dollar liquidity. Even in a crisis that did not begin in the U.S. financial system, the Federal Reserve remained central to global stabilization.

Once again, the hierarchy held firm under pressure.

12. Reserve Freezes and the Visibility of Coercion (2022)

If the pandemic showed the stabilizing side of the dollar system, the events of 2022 showed its coercive side.

After Russia invaded Ukraine, Western governments froze a large share of the Russian central bank's reserves held in their jurisdictions. Sanctions had been used before, but this step was especially visible because it targeted a major power.

The episode made something very clear: foreign exchange reserves are not purely technical assets. They sit inside legal systems and political relationships. Their use depends on the authority of the countries that control those financial centers.

For many governments, this was a warning. Reserve management had often been treated as a technical matter. The Russian case showed that it also had a geopolitical dimension.

This led to renewed interest in reserve diversification, alternative payment systems, and non-dollar settlement channels. Some countries also looked more closely at gold and other assets outside Western jurisdictions.

Even so, the system did not change dramatically. Dollar markets remained too large, too liquid, and too central to replace easily. What changed most was perception. The monetary system looked less neutral and more openly political.

This is what many now call weaponized interdependence: a world in which the same financial networks that support global trade, investment, payments, and reserve accumulation can also be leveraged to restrict access, impose costs, and exert strategic pressure on states that fall outside the prevailing geopolitical alignment.[12]

Russian Central Bank Reserve Freeze (2022)

Jurisdiction	Estimated Amount (EUR billion)
Belgium (Euroclear)	~EUR 180–194
Luxembourg (Clearstream)	~EUR 10
France	Smaller portion
Other EU Member States	Residual
EU Total	~EUR 210
United Kingdom	~EUR 20–22
United States	~EUR 5
Canada	~EUR 5–6
Japan	~EUR 4–5
Switzerland	~EUR 7–8
G7 + Switzerland Total	~EUR 260 (~$280–300 billion)
Worldwide Total (incl. non-G7)	~EUR 300 (~$330 billion)

Approximately $300 billion out of Russia's total reserves of roughly $640 billion — nearly 47% — were immobilized across G7 jurisdictions and the EU, primarily held in Euroclear in Belgium.

Sources: Council on Foreign Relations, "How to Use Russia's Frozen Assets"; European Parliament Research Service, "Confiscation of Immobilised Russian Sovereign Assets," EPRS BRI(2025)775908.

Part III — Why the Dollar Still Stays at the Center

History shows how the dollar system survived major shocks. The next question is why it still holds such a strong position even as the world economy becomes more multipolar.

The answer lies in the structure of the system itself. The dollar remains central because it is deeply built into trade contracts, financial markets, reserve management, collateral systems, legal frameworks, and crisis response mechanisms. This goes far beyond habit. It reflects the way global finance works every day.

This is an important point. A country can lose some economic weight and still keep monetary influence. Another country can gain more trade and still fall short of reserve-currency status. A new payment technology can change how transactions move without changing the hierarchy of the system. Monetary power rests on scale, trust, liquidity, and institutional strength.

That is why the most likely future is a layered system. The dollar remains at the core, while other currencies and payment systems grow around the edges. This avoids two mistakes: assuming the dollar is untouchable, or assuming every diversification move means its decline is near.

13. Trade Invoicing and Network Effects

One of the main reasons the dollar remains central is that so much global trade is priced in dollars. Research by Gita Gopinath and others shows that many international transactions use the dollar even when the United States is not directly involved.[10] Two firms in two different countries often still trade in dollars.

Dollar Trade Invoicing

Region	USD Export Invoicing Share	Actual US Trade Share
Emerging Markets & Developing Economies	~68% (weighted avg.)	Far lower
Middle East + Gulf	~91.8%	Minimal
East & Southeast Asia	~85.4%	~13%
Latin America	~95.9%	~20–25%
South Asia	~90.1%	~5–8%
Sub-Saharan Africa	~74.4%	Very small

Data covers 2003–2019 (EU: 2010–2016). More recent data: the dollar's share in global export invoicing was approximately 40% in 2023, compared to a US share of world exports of roughly 8–10%.

Sources: Gopinath & Itskhoki (2021), "Dominant Currency Paradigm," NBER Working Paper; Boz et al. (2025), "Patterns of Invoicing Currency in Global Trade in a Fragmenting World Economy," IMF Working Paper WP/25/178.

This matters because invoicing shapes everything that follows. Once trade contracts are priced in dollars, firms need dollar liquidity to pay suppliers and manage cash flow. They borrow in dollars, hedge in dollars, and often keep part of their working capital in dollar-linked assets. Banks serving those firms also need access to dollar funding. Insurers, shippers, commodity traders, and financial counterparties all become part of the same system.

This creates a powerful self-reinforcing cycle. The more people use the dollar, the more useful it becomes. It reduces transaction costs, makes hedging easier, and offers deeper liquidity. That encourages even more use.

Changing such a system is possible, yet costly and complex. It would require rewriting contracts, changing treasury systems, rebuilding hedging markets, and creating trusted settlement channels in another currency. A full shift would require an entire parallel ecosystem.

This is why architecture matters. Once firms and institutions organize themselves around the dollar, that system becomes hard to replace. The strength of dollar invoicing reflects more than inertia. It reflects years of institutional investment.

For energy exporters, this matters even more. Oil and gas have long been priced in dollars. That affects revenue management, reserve allocation, and sovereign investment strategy. Export destinations can shift toward Asia while the monetary structure stays tied to the dollar. Trade geography and currency geography do not move at the same pace.

14. Safe Assets and the Power of the Treasury Market

Another major reason for dollar centrality is the depth of the U.S. Treasury market. A leading international currency needs more than wide use in trade. It also needs a deep, trusted market where governments, central banks, and investors can store savings, raise liquidity, and post collateral.

That role is played above all by U.S. Treasury securities.

Treasuries hold a unique place in global finance. They are widely treated as the main safe asset. They serve as collateral in funding markets, help price many other financial instruments, and provide a large pool of liquid assets for central banks, banks, sovereign wealth funds, insurers, and private investors.

U.S. Treasury Market Scale

Rank	Country	Govt Bonds Outstanding (USD tn)
1	United States	~$28
2	China	~$11
3	Japan	~$9
4	United Kingdom	~$3.3
5	Germany	~$2.8

Treasuries constitute the dominant form of collateral in global repo markets, with daily U.S. repo market volumes exceeding $4 trillion.

Sources: U.S. Treasury, Monthly Statement of the Public Debt (2024); SIFMA Research, US Treasury Market Overview; BIS Quarterly Review; OECD Global Debt Report 2025.

Their strength comes from more than the credit of the U.S. government. It also comes from the size, transparency, and tradability of the market itself.

This connects to the idea of a global shortage of safe assets.[9] Many countries issue sovereign debt. Very few offer markets with the same combination of scale, liquidity, legal clarity, and operational importance as Treasuries. Some countries issue highly credible debt, yet their markets are too small. Others lack the broader institutional or geopolitical foundations needed to support a top reserve currency.

This means reserve-currency status depends on the supply of safe assets. A currency can anchor the system only if global actors can hold large amounts of assets denominated in that currency without worrying about illiquidity or fragmentation. This remains one of the dollar's biggest strengths.

In times of crisis, this becomes even clearer. Investors want safety, liquidity, and high-quality collateral. Treasuries offer all three. That is why repeated crises, including some that began in the United States, have often increased demand for Treasuries rather than reduced it.

Alternatives remain limited. German bonds are credible, yet too small in scale. Japanese government bonds operate in a very different domestic system. Euro-area debt suffers from fragmentation and the lack of a fully unified fiscal backstop. Chinese government bonds are growing, yet capital controls and wider institutional concerns reduce their role. Gold can store value, yet it cannot serve as a large modern collateral system.

The Treasury market therefore remains a core pillar of dollar power. It is more than a large bond market. It is the main collateral base of global finance.

15. Institutions, Law, and Trust

A dominant currency also depends on trust in the institutions around it. Finance relies on liquidity, yet it also relies on confidence in governance, legal systems, policy continuity, and contract enforcement.

The United States still benefits from a broad institutional ecosystem that remains attractive to global capital. The Federal Reserve retains exceptional credibility as a central bank able to manage crises at scale. U.S. courts remain important for contract enforcement and dispute resolution. Disclosure rules, accounting standards, market regulation, and the surrounding professional services system all add to this environment of predictability.

This does not mean the system is flawless. It means global investors and reserve holders still view it as reliable enough to support very large and long-term holdings of dollar assets.

Legal infrastructure matters in several ways. Reserve holders need confidence that assets can be bought, sold, pledged, and financed under clear rules. Private investors need enforceable contracts and predictable treatment in distress. Banks and firms need regulatory clarity in managing cross-border activity. Markets need credible information to price assets properly.

The U.S. system still offers a uniquely broad combination of these features.

Other currencies face limits here. The euro is supported by serious institutions, yet it still sits inside a union with one monetary authority and multiple fiscal authorities. The Renminbi benefits from China's economic scale, yet investors still face capital controls, a more state-directed financial system, and less confidence in legal recourse during stress. Digital currencies and new payment systems may improve efficiency, yet they do not create a full sovereign legal and institutional ecosystem.

This is why replacing the dollar is so difficult. A rival currency needs more than trade use or political symbolism. It needs a full institutional order that can support trust in good times and bad.

16. The Renminbi: Growth with Limits

Any discussion of the dollar's future has to include China's Renminbi. China is the world's largest trading nation, a major creditor, and the main buyer of Gulf energy exports. At first glance, that scale should naturally support a much larger global role for its currency.

China: World's Largest Goods Trader

Year	China Total Trade (USD bn)	US Total Trade (USD bn)
2012	3,867	3,883
2013	4,160	3,907
2016	3,686	3,707
2019	4,577	4,212
2021	6,052	4,609
2022	6,310	5,441
2024	6,167	5,316

China has been the world's largest goods trader since 2013. Annual total merchandise trade in USD billion.

Sources: WTO World Trade Statistical Reviews (2013–2024); China Customs General Administration; US Census Bureau.

Gulf Energy Flows Through Strait of Hormuz by Destination

Destination	2020	2021	2022	2023	2024	1Q25
China	1.1	1.3	2.1	2.2	2.5	2.7
India	1.8	1.6	1.7	1.8	1.7	2.2
Taiwan	0.7	0.6	0.7	0.7	0.8	1.1
South Korea	1.1	1.5	1.3	1.2	1.2	1.0
Italy	0.6	0.6	0.7	0.6	0.6	0.7
Other Europe	2.1	1.6	1.9	1.3	0.8	0.8
Destination	**2020**	**2021**	**2022**	**2023**	**2024**	**1Q25**
China	4.0	4.2	4.5	5.0	4.8	5.4
India	2.2	2.3	2.4	2.0	1.9	2.1
South Korea	1.7	1.4	1.7	1.7	1.7	1.7
Japan	1.9	1.8	1.9	1.7	1.5	1.6
United States	0.6	0.6	0.7	0.5	0.5	0.4
Europe	0.6	0.5	0.9	1.0	0.7	0.5

LNG volumes in Bcf/d (top); Crude oil volumes in million b/d (bottom). China is the largest and fastest-growing buyer of Gulf LNG and crude oil.

Source: U.S. Energy Information Administration (EIA), 2025.

Yet trade power alone does not create reserve-currency status. A reserve currency also needs open capital markets, trusted legal systems, and a willingness to let foreign investors move in and out freely.

The Renminbi has clearly expanded. China has built swap lines, increased RMB trade settlement in some corridors, created the Cross-Border Interbank Payment System, and promoted local-currency use in some trade and energy deals. Offshore RMB centers have also grown.[14]

Still, the main issue is trust under stress. Investors and reserve managers want to know whether they can hold assets at scale, exit freely, and rely on legal protections in times of turmoil. On that test, the renminbi still faces clear limits.

China's capital account is not fully open. Its financial system remains heavily shaped by the state. Policy direction can appear opaque. These features may support domestic control, yet they reduce the renminbi's appeal as a full substitute for the dollar.

There is also a deeper trade-off. Full reserve-currency status requires accepting the pressures that come with financial openness. China has chosen caution, and that choice helps preserve domestic stability.

The likely result is selective expansion, not full replacement. The renminbi can grow in regional trade, official lending, and some reserves. It can become more important in a more plural system. It still falls short of displacing the dollar.

17. The Euro: Strength with Structural Limits

The euro presents a different case. It is the only existing currency with a broad enough financial and institutional base to stand as a real secondary alternative. The euro area is large, the European Central Bank is credible, and euro-denominated bond markets are substantial.

Its main limitation is political rather than technical.

The dollar rests on a single sovereign foundation. The United States has one fiscal authority, one central bank, and one political system backing the currency. The euro area has a shared currency, yet it still lacks full fiscal and political unity.

This weakness became clear during the euro-area debt crisis. Markets worried less about debt levels alone and more about whether the system had a unified backstop. The ECB stabilized the euro area, yet the crisis showed that euro safe assets were not fully equivalent to Treasuries in the eyes of global investors.

Europe has made progress since then. Banking union has advanced. Joint borrowing has grown in some circumstances. Crisis management has improved. Yet the basic issue remains: there is still no single euro-area safe asset market on the same scale and clarity as the U.S. Treasury market.

The euro therefore plays an important role in diversification. It is a strong number two. It still does not function as the sole anchor of the global system.

For reserve managers, this means the euro offers useful optionality. It reduces concentration risk. It does not replace the dollar's central role.

18. Digital Currencies and Payment Systems

New technologies have led many people to predict major monetary change. Central bank digital currencies, tokenized systems, and new payment platforms are often presented as tools that could weaken the dollar's position.

These technologies may matter, yet it is important to separate payment systems from monetary hierarchy.

Payment systems affect how money moves. Reserve-currency status concerns what kinds of money and sovereign assets people trust, hold, and seek in times of stress. These are related, but they are different.

Digital systems can make payments faster and cheaper. They can improve cross-border settlement and reduce reliance on old banking channels. Some innovations may make international finance more efficient.

Yet they do not create safe assets on their own. They do not create deep sovereign bond markets, lender-of-last-resort capacity, legal certainty, or broad institutional trust. A faster payment rail does not replace a trusted reserve system.

This point often gets lost. A country can build advanced digital payment tools and still lack a currency that others want to hold in size. A new platform can reduce dependence on one channel while leaving reserve composition and collateral practices largely unchanged.

Digital change may improve the plumbing of finance. It does not by itself rewrite the hierarchy.

19. Weaponized Interdependence and Gradual Hedging

Sanctions, reserve freezes, compliance pressure, and financial enforcement have made the political side of the monetary system much more visible. Henry Farrell and Abraham Newman describe this as weaponized interdependence.[12] In tightly connected networks, those who control the key nodes can turn that position into leverage.

In finance, those key nodes include dollar clearing systems, correspondent banking channels, reserve custody arrangements, and regulatory authority over major financial infrastructure. Countries and firms benefit from these systems, yet they also become exposed to the political decisions of those who govern them.

Still, greater visibility of coercion does not automatically produce a large-scale exit from the system. That is the key point. The system can become more political while remaining central.

Firms, banks, and states operate through infrastructures built over decades. Their contracts, liquidity practices, technology, compliance systems, and balance sheets are deeply tied to the existing network. Replacing that architecture is extremely difficult.

That is why the most realistic future is gradual hedging rather than abrupt de-dollarization. Some countries will diversify reserves at the margin. Some trade corridors will use more local-currency settlement. The renminbi will expand in selected regions. The euro will remain a major secondary reserve currency. Digital systems will improve some payment channels. Gold may gain a slightly larger role in reserve strategy.

Even so, the dollar is likely to remain at the center.

The emerging system looks more layered than revolutionary. The dollar stays dominant in reserves, collateral, crisis liquidity, and much of global trade and finance. Around it, other options grow in specific roles and regions.

For countries like Qatar, the practical lesson is clear. The goal is to manage exposure carefully. Build flexibility without undermining stability. Diversify without creating financial disorder. Expand options without sacrificing liquidity. The future of the system is likely to be more complex, yet still centered on the dollar.

Part IV — The Gulf Monetary Context: Two Directions, One Need for Stability

The earlier sections showed that the global monetary system still has a clear hierarchy and that the dollar stays at the center because of deep markets, safe assets, and trusted institutions. The Gulf sits firmly inside that system. It is not just a region of oil, gas, sovereign wealth, and geopolitical rivalry. It is also a monetary space. Its exchange-rate regimes, reserve strategies, fiscal systems, and security ties are all shaped by long-term strategic choices.

The most important of those choices is the dollar peg.

In the Gulf, the peg is more than a technical tool to reduce exchange-rate volatility. It is part of a wider political economy in which export revenues, sovereign wealth, financial openness, and security relationships all reinforce each other. The peg helps turn hydrocarbon wealth into macro-financial stability and credibility.

At the same time, the Gulf now faces a clear structural tension. Its trade is moving more and more toward Asia. Asia is now the main source of new demand for the region's energy exports. Yet the region's monetary, legal, and security systems remain closely tied to the Western-led order. This creates a dual orientation that is often misunderstood. Trade flows and monetary anchors do not serve the same purpose. Trade follows customers. Monetary policy follows stability.

This matters even more because the Gulf is not a single unified bloc. It is a competitive region. Its states are all trying, in different ways, to attract capital, build influence, strengthen their financial sectors, and improve their global standing. In that setting, monetary credibility becomes part of national strategy. Stability, predictability, and resilience matter not only for economics, but also for reputation and influence.

20. The Peg as Strategic Discipline

The Gulf states have long kept fixed or near-fixed exchange rates linked to the U.S. dollar. This is sometimes described as an old habit from the oil era. That misses the deeper point. The peg remains in place because it serves a strategic purpose.

Oil and gas exports are mostly priced in dollars. Government revenues therefore come in dollars. Sovereign wealth, reserves, and much of cross-border finance also operate in dollar-based systems. In that setting, the peg reduces the gap between the currency in which Gulf states earn their money and the monetary system in which they spend, invest, borrow, and signal credibility.

The peg therefore acts as more than an exchange-rate rule. It helps hold the wider economic system together.

Its advantages are clear. It provides exchange-rate stability. It reduces currency mismatch between revenues and spending. It gives investors a sense of predictability. It also creates a clear and easy-to-understand monetary anchor for banks, firms, and the public.

The peg does carry a cost. It means Gulf economies import U.S. monetary policy even when their own domestic conditions are not exactly the same as those in the United States. When the Federal Reserve tightens, financial conditions in the Gulf also tend to tighten. When the Fed loosens, liquidity conditions in the Gulf also become easier.

This means less formal monetary independence. But in the Gulf, that trade-off has generally been accepted. Gulf states have chosen to give up some policy flexibility in exchange for more stability and credibility.

Seen in this way, the peg is not a relic of the past. It is a strategic institution. It allows Gulf states to operate inside a hierarchical global monetary order with lower uncertainty and stronger confidence.

21. Eastward Trade, Westward Anchors

Over the last two decades, the Gulf's trade has shifted sharply toward Asia. China has become a major destination for Gulf energy exports. India's importance continues to grow. Japan and South Korea remain key buyers. Asia now shapes much of the Gulf's commercial future.

Yet this eastward shift in trade has not been matched by an equivalent shift in monetary or security alignment. Gulf currencies remain pegged to the dollar. Sovereign wealth remains heavily invested in Western markets. Gulf banking systems remain deeply linked to Western financial channels. Security relationships, defense systems, and strategic guarantees still depend heavily on the United States and the wider Western order.

Gulf Sovereign Wealth Fund Allocations (2024)

Fund	AUM	North America / US	Europe	Asia	Domestic
ADIA (Abu Dhabi)	$1.1 Tn	45–60%	15–30%	5–10%	Small
PIF (Saudi Arabia)	$913 Bn	Partial	Partial	Partial	Domestic-focused
QIA (Qatar)	$510 Bn	~20%	~40%	~7%	~33%

Gulf sovereign wealth remains concentrated in Western markets. QIA holds approximately 60% of its portfolio in Western assets (US + Europe).

Sources: ADIA Annual Review 2024; Oxford Business Group, Qatar 2025 Report.

This creates a dual structure. The Gulf sells more to the East, while staying anchored financially and strategically to the West.

This is not a contradiction. It reflects the fact that different parts of national strategy serve different functions. Trade follows demand. Monetary anchors support financial stability. Security ties depend on hard power and deterrence. There is no reason all three have to point in the same direction.

This matters in debates about whether the Gulf should move away from the dollar because its trade now points toward Asia. That argument is too narrow. A monetary anchor is not chosen simply to match trade flows. It is chosen to support confidence, reserves, banking resilience, and crisis management.

Gulf states can gradually increase local-currency settlement with Asian partners when it is useful. They can broaden payment channels and improve financial links with Asia. But none of that requires abandoning the peg. The role of the anchor is much broader than the role of trade settlement.

For Qatar and its neighbors, this dual orientation is something to manage carefully, not something to “solve.” It is a lasting structural condition.

22. Competition Inside the Gulf

The Gulf is often described from the outside as a single bloc. In reality, it is also a competitive space. Its states are trying to build influence through finance, logistics, technology, diplomacy, tourism, and industrial diversification. They compete for capital, talent, attention, and prestige.

In that competition, financial stability becomes a strategic asset.

Saudi Arabia is using its size to push a large transformation agenda under Vision 2030. It wants to use scale to build wider economic strength, deeper financial markets, and stronger regional influence.

The United Arab Emirates, especially Dubai and Abu Dhabi, has built a different model. It relies on connectivity, regulatory flexibility, business services, and its role as a global hub linking regions and capital flows.

Qatar's position is different again. Its main strength lies less in size and more in discipline. It combines strong sovereign wealth, central importance in LNG, careful macroeconomic management, and a reputation for measured statecraft. That matters in global finance. A country's reputation depends not only on ambition, but also on how steadily and credibly it behaves over time.

Monetary policy plays a direct role in shaping that reputation. A stable peg, strong reserves, prudent fiscal management, and disciplined sovereign wealth strategy all send a clear signal. They show that the state is operating inside a coherent framework rather than improvising.

This gives Qatar an important advantage. Long-term capital does not always go to the loudest or most ambitious market. It often goes to the most reliable one. Investors, banks, and partners value predictability, consistency, and the absence of avoidable shocks.

For Qatar, monetary stability is therefore more than an internal economic benefit. It is part of its external strategic identity. Credibility becomes a form of geopolitical capital.

Part V — Qatar's Strategic Monetary Doctrine

If the broader Gulf context is shaped by dual orientation and regional competition, Qatar needs a clear doctrine to manage its position. Here, doctrine means a practical framework: what must be preserved, where flexibility should be built, and how resilience should work in a world of uncertainty.

The goal is not to escape the hierarchy of the global system through rhetoric. The goal is to reduce vulnerability while protecting the anchors that support confidence.

23. The Core Premise: Stability Without Illusion

A realist strategy starts by rejecting false choices. Qatar does not face a simple choice between dependence and sovereignty, or between full alignment and full autonomy. Those are political slogans, not serious strategic options.

The real choice is between unmanaged exposure and managed resilience.

All countries operate inside structures they did not create. What matters is whether they understand those structures well enough to reduce risk without damaging the sources of confidence. For Qatar, this means recognizing that the dollar peg is not a sign of weakness. It is a strategic anchor that fits the realities of hydrocarbon pricing, sovereign wealth, and the global liquidity system.

The peg works because it links Qatar's external earnings to the world's leading monetary system. It reduces uncertainty, stabilizes expectations, and supports Qatar's image as a disciplined financial actor.

The goal, then, is not to abandon the peg in the name of abstract sovereignty. The goal is to make sure the peg is backed by a wider structure of resilience.

24. Keep the Peg and Strengthen It

Qatar should keep the riyal pegged to the dollar. The peg remains an important source of credibility.

Moving away from it would bring major costs. Exchange-rate volatility would rise. Hedging costs would increase. Banks and firms would face more uncertainty. Investors would question why Qatar had chosen to move away from a framework that has long supported stability.

Even if reserves remained strong, the transition itself would create noise and uncertainty. A move meant to signal sovereignty could instead be seen by markets as unnecessary experimentation.

That is why the peg should be treated as a platform, not just as a rule. It needs to be actively supported by strong institutions.

This means maintaining large and clearly communicated reserve buffers. It means regular stress testing for extreme scenarios, including dollar shortages, energy-price shocks, regional conflict, or temporary financial-market closure. It also means making clear in public communication that the peg is firm and that emergency support for the banking system is available if needed.

The peg should not just exist. It should be visibly reinforced.

25. Build Flexibility Quietly

Keeping the peg does not mean refusing all diversification. In fact, resilience often depends on building options carefully and quietly.

Qatar should support local-currency settlement with Asian partners where that makes practical sense. It should maintain access to multiple payment systems and banking relationships. It should avoid relying too heavily on too few channels.

The key is to do this in a technical and calm way. The purpose is to reduce concentration risk, not to send a geopolitical message.

Quiet diversification is prudent. Loud talk about de-dollarization creates unnecessary tension and can invite market misreading.

Qatar therefore needs preparedness, not drama. Alternative channels can complement the peg. They do not replace it.

26. Use Sovereign Wealth as Monetary Protection

Qatar's sovereign wealth is often seen mainly as a long-term investment portfolio or a symbol of national strength. It is both of those things. It should also be treated as a form of monetary protection.

This means organizing sovereign wealth with different purposes in mind.

One part should remain focused on long-term returns and intergenerational wealth. Another should be available for macroeconomic stabilization if energy prices fall or global funding markets tighten. A highly liquid part should be ready for serious crisis situations.

These crisis scenarios should be realistic: global dollar shortages, payment disruptions, regional conflict, sanctions spillovers, market closures, or sharp commodity-price declines.

The key principle is simple: wealth must be usable in an emergency. Assets that cannot be accessed quickly under stress do not provide full protection.

Qatar's sovereign wealth is one of its greatest advantages. But it should be structured with crisis use in mind, not only long-term return.

27. Map Risks in the Financial Network

Qatar is not a likely sanctions target in normal circumstances. Still, it remains exposed to the wider risks of a concentrated global financial system.

In a world of weaponized interdependence,[12] resilience begins with knowing where vulnerabilities lie.

Qatar should therefore map where its assets are held, in which jurisdictions, through which counterparties, and under which legal frameworks. It should understand how dependent it is on a limited number of banking or settlement nodes. It should also maintain very strong compliance systems, both for reputation and to reduce spillover risks from global regulatory tightening.

Contingency planning needs to be practical. Qatar should maintain diversified financial relationships and test emergency procedures regularly. Legal structures for asset custody and emergency access should be reviewed on a routine basis.

Financial resilience is built in systems and operations, not in official statements. It must exist before a crisis starts.

28. Deepen Domestic Institutions

A strong peg still needs strong domestic institutions. The peg supports expectations, but domestic financial depth determines how well the system can handle outside pressures.

Qatar can build more resilience by strengthening its own financial system. A deeper sovereign bond market would improve local pricing and liquidity management. Stronger repo and money markets would make short-term funding more resilient. Better macroprudential tools would help manage credit cycles. Stronger bank-resolution frameworks would improve confidence in times of stress. Greater supervisory transparency would further strengthen credibility.

The goal is not to create full monetary independence under a peg. That would not make sense. The goal is to give Qatar more capacity to manage liquidity, credit, and financial stability within the peg.

This is where real autonomy can grow in a fixed-rate system: through stronger institutions.

29. Position Doha as a Stability Hub

In a region where some states compete through scale and others through agility, Qatar can compete through reliability.

Doha can position itself as a stability hub: a place known for predictable policy, clear rules, disciplined macroeconomic management, and dependable sovereign behavior.

That means maintaining a coherent framework for exchange-rate policy, reserves, and liquidity. It means being seen as a trustworthy counterparty and a stable jurisdiction for long-term capital and strategic partnerships.

In a fragmented global environment, reliability becomes more valuable. States that offer predictability attract investors and partners because they reduce uncertainty.

For Doha, this is more than a branding exercise. It is a source of influence. Stability helps attract investment, lowers financing costs, supports diplomacy, and gives Qatar a distinctive place within Gulf competition.

Taken together, the Gulf context and Qatar's doctrine point in one direction. The future belongs neither to passive dependence nor to dramatic rupture. It belongs to countries that combine a credible anchor with strong resilience.

For Qatar, that means keeping the peg, building flexibility without politicizing it, using sovereign wealth as real financial protection, reducing concentration risks, strengthening domestic institutions, and turning Doha into a regional center of stability.

This is not a strategy of symbolic escape. It is a strategy of disciplined maneuver—and in a hierarchical monetary system, disciplined maneuver is one of the most practical forms of sovereignty.

Part VI — Scenarios for 2026–2045

A strategy is only useful if it still works under different future conditions. That is why scenario analysis matters. The goal is not to predict one exact future and build everything around it. The goal is to test whether the core strategy still makes sense in different kinds of environments.

This matters especially in monetary affairs. Currency systems usually change slowly, but the pressures around them can shift quickly. Fiscal problems, sanctions, new payment technologies, geopolitical tensions, changes in energy trade, and crisis responses can all reshape the setting in which countries operate.

For a country like Qatar, the key question is not whether the world will become more uncertain. It will. The real question is how to keep a coherent strategy across different kinds of uncertainty.

The three scenarios below outline broad paths the international monetary system could take between 2026 and 2045. Each has different implications. Yet the same core principles remain valid across all three: keep the anchor, build protection, avoid unnecessary volatility, and rely on strong institutions.

30. Scenario 1: The Dollar Stays Firmly at the Center

In the first scenario, the dollar remains clearly dominant. It continues to play the leading role in trade invoicing, safe assets, crisis liquidity, and global finance. Other currencies grow in limited ways, but none develops the full combination of openness, deep markets, legal credibility, and crisis function needed to challenge the dollar in a serious way.

In this world, change still happens, but the hierarchy remains intact. The renminbi becomes more common in some bilateral trade flows, especially in Asia and in selected commodity markets. The euro keeps its role as a secondary reserve and financing currency, and may grow somewhat. Digital payment systems become more efficient. Even so, when real uncertainty rises, the world still turns to dollar liquidity and U.S. Treasuries.

This is the scenario of continuity. Discussions of de-dollarization continue, and some diversification at the margins becomes normal, yet every major shock keeps confirming the dollar’s central role. China still does not fully open its capital account. Europe still lacks a fully unified fiscal base strong enough to create a Treasury-scale safe-asset market. Technology improves the system’s plumbing, but it does not create a true rival anchor.

For Qatar, this is the least disruptive scenario. The logic of the peg remains very strong. Energy revenues continue to fit naturally into a dollar-based system for reserves, sovereign wealth, and financial management.

The main risk in this scenario is complacency. When the system feels stable and familiar, it becomes easy to assume resilience will take care of itself. That would be the wrong lesson.

Even in this world, Qatar still needs to strengthen its institutions, maintain strong reserves, improve settlement flexibility, and keep its sovereign liquidity tools ready. The correct response is not to sit still. It is to use stability as a chance to prepare even better.

31. Scenario 2: The Dollar Remains Dominant but Faces More Competition

This is the most likely baseline scenario. Here, the dollar stays the leading global currency, but its dominance becomes more openly contested and slightly less exclusive than before. The system does not break apart, yet it becomes more layered. Parallel payment systems grow. Bilateral and regional currency arrangements become more common. Sanctions are used more often, which pushes some countries to reduce their dependence on key financial networks. The dollar's share in reserves and trade declines somewhat at the margins, while it remains central to the core of the system.

This is not a dramatic end to dollar dominance. It is a gradual widening of the system around a still-powerful center.

In this world, the dollar remains the main reserve currency, the main safe-asset base, and the main source of crisis liquidity. At the same time, the wider environment becomes more complex. Some trade corridors, especially those linked to China, use the renminbi more often.[14] The euro keeps its role as the main diversification currency. Digital payment systems reduce friction and create more options. Gold gains a somewhat larger role in reserve strategy. Sanctions become a more normal part of geopolitical rivalry, and firms adapt by building more layered treasury and compliance systems.

In this setting, the political character of the monetary order becomes more visible. More countries understand that reserves, payments, and financial networks are connected to power. Yet awareness does not eliminate dependence. Instead, it leads to hedging.

Currency Composition of Global Foreign Exchange Reserves (% of total)

Year	USD	Euro	JPY	GBP
2000	71.1%	18.3%	6.3%	2.8%
2005	66.5%	23.9%	4.0%	3.6%
2010	61.8%	26.0%	3.7%	3.9%
2015	65.7%	19.1%	4.0%	4.7%
2018	61.7%	20.7%	5.2%	4.4%
2020	58.9%	21.3%	6.0%	4.7%
2022	58.4%	20.5%	5.5%	4.9%
2024	57.8%	19.8%	5.8%	4.8%

The dollar's share fell from ~71% in 2000 to ~58% in 2024 — a meaningful but gradual decline. It remains the largest single reserve currency, with the euro second at roughly 20%.

Source: IMF COFER Database, Q4 observations for each year. https://data.imf.org/en/datasets/IMF.STA:COFER

For Qatar, this scenario requires the most careful balance. It reflects enduring stability amid surrounding volatility. The danger is to overreact to every new diversification move elsewhere and treat it as proof that the peg itself should be questioned. That would be the wrong conclusion.

The peg still makes sense because the core of the system remains dollar-based. What changes is the environment around it.

The right response is to preserve the peg while quietly expanding operational flexibility. Qatar should improve its ability to work across multiple settlement systems where that makes practical sense. Local-currency settlement with key Asian partners may become useful in some transactions. Banking relationships should be more diversified. Access to different payment channels should be widened without political signaling.

At the same time, sovereign liquidity becomes even more important. In a more layered and politicized system, reserves and sovereign assets need to be structured not only for returns and conventional stability, but also for quick use under fragmented conditions. That means more careful mapping of jurisdictional exposure, more stress testing, and more planning for situations where some financial channels become slower, more political, or temporarily constrained.

This scenario also makes domestic institutions more important. As the outside system becomes more complex, Qatar's own money markets, liquidity tools, supervisory systems, and financial infrastructure become more valuable.

The right approach here is mature adaptation: no panic, no dramatic rhetoric, just careful strengthening of flexibility around a stable anchor.

32. Scenario 3: A Major Systemic Shock

The third scenario is more disruptive. In this world, the international monetary system faces serious stress at its core. This could come from a major U.S. fiscal crisis, repeated dysfunction in the Treasury market, or a large geopolitical rupture that damages confidence in the smooth operation of the dollar-based system.

Even in this case, an important paradox remains. The first phase of a major shock would probably still increase demand for dollar assets, because investors under pressure usually move toward the deepest and most liquid market available. That happened in earlier crises, even when the shock began in the United States.

But repeated or prolonged shocks would have a different effect over time. If instability in U.S. debt governance, Treasury-market functioning, or geopolitical management became recurrent, more countries would look more seriously for ways to reduce dependence on one central node. They would not necessarily abandon the dollar, but they would work harder to build alternatives. Reserve managers would place more emphasis on gold, wider jurisdictional diversification, non-dollar liquidity tools, and alternative custody arrangements. Regional settlement systems might gain momentum more quickly. Financial actors would seek backup channels because they would no longer assume smooth functioning in all circumstances.

For Qatar, this is the hardest scenario because it tests the full financial architecture around the peg.

Even here, the immediate answer would still not be to abandon the peg. Doing so during external turmoil would likely increase uncertainty rather than reduce it. The basic doctrine still holds. What changes is the need for a much stronger operational response.

In this scenario, Qatar would need to make sure its sovereign liquidity is accessible across multiple jurisdictions and that its assets are not too concentrated in one settlement channel, one custodian, or one legal environment. It would need to ensure that its liquid assets are truly usable under legal, geopolitical, and market stress.

Domestic banking resilience would also become central. The question would not only be whether Qatar has enough reserves, but whether the banking system can get liquidity quickly, whether payments can continue smoothly, and whether public support can be deployed fast enough to maintain confidence.

Communication would matter as well. In a systemic shock, markets punish uncertainty. Qatar would need to communicate clearly that the peg remains firm, that liquidity buffers are strong and accessible, and that contingency planning is in place.

In this kind of world, resilience would depend less on broad declarations and more on practical readiness.

Across all three scenarios, a striking pattern appears. The outside world may range from stable continuity to growing contestation to real disruption. Yet Qatar's best strategy changes less than it may seem at first.

In the first scenario, the peg remains the right choice and flexibility grows slowly.

In the second scenario, the peg remains the right choice and flexibility becomes more important.

In the third scenario, the peg remains the right choice, while liquidity strength, diversification of access, and operational backup become essential.

That is the strongest argument for the doctrine itself. A good doctrine works across more than one possible future.

The core lessons remain the same:

Keep the anchor, because the peg remains Qatar's most credible monetary framework across plausible futures.

Build protection, because exposure needs to be managed whether the system stays stable or becomes more political.

Avoid theatrics, because symbolic moves or loud de-dollarization rhetoric would create noise without creating real resilience.

The real task is not to predict the end of the dollar order. It is to prepare intelligently for different futures within it.

Conclusion: Monetary Sovereignty Through Strategic Discipline

The global monetary system does not appear to be fading; rather, it is evolving—becoming both more structured and more visibly shaped by political dynamics.

This essay has argued that the U.S. dollar is likely to remain central to global finance for the foreseeable future. Its resilience rests on a combination of deep and liquid safe assets, institutional credibility, regulatory strength, global security reach, and the capacity to provide liquidity in times of stress. No alternative currency currently brings together these attributes at a comparable scale.

At the same time, the system has become more openly political. The use of financial sanctions has expanded, reserve assets have proven vulnerable under certain circumstances, and compliance frameworks increasingly reflect geopolitical considerations.[12] In response, many countries are reassessing their exposure, viewing the financial system not only as a channel of efficiency but also as a potential source of vulnerability.

This does not necessarily signal a breakdown. Rather, it points to a system whose political dimensions have become more visible and, perhaps, more consequential.

This evolution reframes the policy question. For Qatar and other Gulf economies, the issue is less about the possible displacement of the dollar—which remains unlikely—and more about how reliance on the system is managed in a context where its power is more explicit.

In such an environment, there can be a temptation to pursue highly visible forms of diversification or to adopt the language of monetary autonomy. While such approaches may carry symbolic appeal, their practical benefits are less clear and may, in some cases, introduce new uncertainties without substantially enhancing resilience.

Monetary sovereignty, in practice, tends to be built incrementally. It relies less on abrupt changes in exchange-rate regimes and more on the steady strengthening of institutions, the accumulation of buffers, and the development of financial depth that can absorb external shocks while maintaining confidence.

From this perspective, Qatar's dollar peg continues to offer important advantages. It aligns with the structure of its energy revenues, supports macroeconomic stability, and contributes to investor confidence. In a region where predictability carries strategic value, such anchoring can be an asset.

At the same time, maintaining the peg does not imply passivity.

On the contrary, it calls for active reinforcement. Reserve adequacy can be assessed against more demanding stress scenarios. Sovereign liquidity arrangements can be structured to ensure rapid usability in periods of strain. Payment and settlement systems can be diversified in measured, technical ways. Financial exposures across institutions and jurisdictions can be more systematically mapped. And domestic financial systems can be further deepened to enhance absorptive capacity.

The objective, ultimately, is to strengthen resilience without generating unnecessary volatility.

This is particularly relevant as the Gulf enters a more competitive phase. Financial centers are increasingly vying for capital. Trade patterns are shifting toward Asia. Security relationships remain closely tied to the West. Technological change is reshaping payment infrastructures. And financial networks are becoming more central to geopolitical dynamics.

In this setting, credibility itself becomes a strategic resource.

Stability, then, may be understood not as inertia, but as a form of strategic positioning.

For Qatar, this suggests an opportunity. Influence need not derive from highly visible shifts. It may instead come from being perceived as a consistent and reliable partner in an increasingly uncertain environment. Such reliability can lower the cost of capital, attract long-term investment, and reinforce diplomatic standing.

Looking ahead, the international monetary system may become more layered: a continued dollar-centered core, complemented by regional settlement arrangements, gradual reserve diversification, and the wider use of new payment technologies—all within a more politically aware financial landscape.

While smaller economies may not reshape the global architecture, they retain agency in how they navigate it.

In that sense, the challenge is less about transformation than about calibration.

Qatar can maintain a strong monetary anchor while gradually building flexibility. It can reinforce institutional strength while avoiding unnecessary signaling. It can deploy sovereign wealth as a buffer. And it can approach stability as a source of strategic advantage.

In a more fragmented global environment, monetary sovereignty is likely to emerge from sustained, careful practice—built over time through discipline, credibility, and institutional strength.

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