


De-Dollarization: What Would Happen if the Dollar Lost Reserve Currency Status?

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January 9, 2026



Could countries around the world ditch the dollar in 2026?

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Jan. 12, 2026



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De-dollarization is the effort to reduce reliance on the U.S. dollar in global trade.

One of the more intriguing financial trends that has gained popularity in recent years is the de-dollarization movement.

De-dollarization is an effort by a growing number of countries to reduce the role of the U.S. dollar in international trade. Countries like Russia, India, China, Brazil and Malaysia, among others, are seeking to set up trade channels using [currencies](#) other than the almighty dollar. With President Donald Trump's foreign policy ruffling feathers around the world, is the reserve status of the U.S. dollar going to be the next domino to fall?

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History of the Reserve Currency

A reserve currency is the currency in which the majority of the world's international transactions are handled. Historically, reserve currencies have been the currencies of a series of European colonial powers, including Spain, France and England at various points. These empires often backed their currencies with precious metals, typically [gold](#), in addition to the implicit backing of the state.

Following World War I, the British economy struggled to regain its vigor. Much of the world's gold flowed from London to New York for safekeeping and speculation in the roaring 1920s U.S. equity bull market. America's dominant role in World War II further cemented New York as the financial capital of the world, and the dollar as its most important currency. The greenback was formally made the world's reserve currency in 1944 as a result of the Bretton Woods Agreement, a status that sterling had previously held.

President Richard Nixon abandoned the gold standard in 1971. From that point on, the dollar has been backed not by precious metal, but purely by the full faith and credit of the U.S. government. And since 1971, critics have called for the end of the U.S. dollar as the world's reserve currency.

Why the Dollar Is King

There are several factors that have led to the dollar maintaining its international reserve currency status. One is the so-called "petrodollar." The vast majority of the world's oil transactions occur in dollars. As the global oil trade amounts to billions of dollars per day and all countries need [energy](#), this creates a great deal of demand for dollars to facilitate these transactions.

While oil is the most obvious example, there's a broader need for a world unit of exchange. Consider a scenario where a Brazilian farmer sells soybeans to a Japanese condiments company. It's highly unlikely that the Japanese firm would have Brazil's currency, the real, on hand to pay the farmer. Similarly, the Brazilian grower is not going to want to accept Japanese yen in exchange for their soybeans. Thus, the logical solution is to use an intermediary to convert yen into dollars, buy the soybeans with dollars and then have the producer convert those dollars into their local currency.

To that point, the [Federal Reserve](#) estimates that between 1999 and 2019, the dollar accounted for 96% of international trade transactions in the Americas, 74% in Asia and 79% around the rest of the globe. Globally, banks used dollars for approximately 60% of their nondomestic deposits and loans. And in the foreign exchange market today, the U.S. dollar is on one side of almost 90% of all transactions. As of 2024, the dollar represented 57.8% of global foreign exchange reserves, down from over 70% in 2000.

The euro looked like it might have a chance to replace the dollar at the turn of the century. But the 2008 financial crisis and various political and economic shocks in Europe have since diminished the standing of a central European currency as a world standard. Japan has its own issues with a stagnant economy and shrinking population. China's yuan is unlikely to become a reserve currency anytime soon given the extreme capital controls that its government places on the use of the yuan.

All other potential candidates are likely too small to be a reserve currency. The Swiss franc, for example, is known as a stable and well-regarded currency. However, the economy it's tied to, Switzerland, is tiny and would not be able to support the huge capital flows required of an international reserve currency.

Renewed De-Dollarization Movement

The latest de-dollarization movement started in 2022 when the U.S. imposed all-encompassing sanctions against Russia following Russia's invasion of neighboring Ukraine. Various world leaders took umbrage at the idea that the U.S. could freeze their funds due to any sort of diplomatic or military dispute.

Trump's [aggressive tariffs](#) and isolationist policies have also disrupted U.S. alliances with Europe and other trade partners. Trump's antagonistic approach to foreign policy has ostracized American allies and may encourage more countries to seek ways to reduce their reliance on the dollar.

In addition, inflation is weakening the standing of the dollar on the international stage. Some experts have understandably grown concerned about U.S. debt levels and the impact that debt could have on the dollar in the long term. Rather than paying down its debt over time, the U.S. could instead choose to erode away the value of that debt via inflation. When U.S. inflation is high, savers around the world question the security and stability of the dollar for long-term savings and investments.

Against this backdrop, leaders of countries such as China, India and Brazil have been considering moves to trade directly with each other in their own currencies while cutting the U.S. dollar out of the equation. This change would incrementally diminish the role and importance of dollars while creating a multipolar financial world where the next tier of economies would have significantly more say in global affairs.

Russia and South Africa, along with the aforementioned three countries, comprise what's known as BRICS, a group of emerging countries in a loose economic alliance to counter Western influence. In 2023, BRICS agreed to induct six new countries into its bloc: Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates.

In the [2025 BRICS Summit Joint Declaration](#), the group noted "serious concerns about the rise of unilateral tariff and non-tariff measures" without mentioning Trump or the U.S. dollar specifically.

In the past, BRICS members have floated the idea of creating a single BRICS currency to use to transact with one another, but there appears to have been little actual progress in creating a functional BRICS currency at this point. Indian foreign minister S. Jaishankar recently said India "has never been for de-dollarization" and "right now, there is no proposal to have a BRICS currency."

Is De-Dollarization Coming?

The good news for Americans is that the value of the dollar has held up well in recent years, despite growing U.S. debt and inflation. But while the U.S. Dollar Index is up 9.2% overall in the past five years, it has dropped 9.5% in the past year.

Trump's aggressive trade policies may be driving the dollar's recent weakness, or it may be that global investors are simply losing faith in the long-term outlook for the U.S. economy.

Fortunately for Americans, there appears to be no viable alternative to the dollar as of yet. Gold, silver and other precious metals have been an effective hedge against inflation and delivered some excellent returns for investors in 2025 as the dollar slumped. However, metals are unlikely to replace the dollar as a global reserve currency due to challenges with transportation, storage, liquidity and supply. Likewise, [Bitcoin and other cryptocurrencies](#) face their own challenges with liquidity, security, scalability and energy consumption.

Instead of choosing a single alternative currency, central banks around the world have taken a more diversified approach, incorporating currencies of smaller economies such as Australia and Canada.

Usha Haley, Barton distinguished chair in international business at Wichita State University, says the dollar is not imminently at risk of losing its status as a global reserve currency, but it is facing creeping regional displacement if global investors begin to question the U.S. government's stability.

"U.S. politics do not really affect the dollar's reign as our institutions and our economy are seen as strong and enduring," Haley says.

"The more erratic and idiosyncratic U.S. economic governance appears, the greater the long-term risk of the dollar's gradual fragmentation rather than abrupt displacement."

Dr. Hamid Malakpour, professor and interim dean of Malcolm Baldrige School of Business at Post University, says the recent U.S. actions to overthrow the Nicolas Maduro regime in Venezuela may ultimately help support the dollar's reserve currency status.

"Venezuela's large oil reserves returning to global markets can increase supply, reduce oil prices and ease inflationary pressure," Malakpour says.

"Additionally, re-engagement creates an opportunity to bring oil trade back into dollar-based settlement, which supports, rather than weakens, the dollar's global role."

Nevertheless, investors concerned about de-dollarization can dial back exposure to U.S.-specific funds like the SPDR S&P 500 ETF Trust (ticker: [SPY](#)) and increase their allocation to funds such as the Vanguard FTSE Developed Markets ETF ([VEA](#)) and the Vanguard FTSE Emerging Markets ETF ([VWO](#)).

Investors can also diversify into non-correlated assets, such as [Bitcoin \(BTC\)](#), real estate, gold and certain commodities. Investors can easily invest in U.S. dollar hedges such as gold via the SPDR Gold Trust ([GLD](#)), silver via the iShares Silver Trust ([SLV](#)) and real estate via funds such as the Vanguard Real Estate ETF ([VNQ](#)). Concerns about dollar weakness have been a major contributor to the historical rally in precious metals prices, sending the GLD fund up about 70% and the SLV fund up more than 180% in the past year.

Gold's share of global foreign reserves has also risen from around 13% in 2017 to roughly 30% as of late 2025.

Mayra Rodriguez Valladares, managing principal at MRV Associates and former foreign exchange analyst at the Federal Reserve Bank of New York, says total de-dollarization would potentially be devastating for investors who aren't prepared.

"American investors and frankly global ones would be tremendously hurt if central banks and markets started to pull away from the dollar. The best thing that investors can do is monitor if indeed there is a movement toward de-dollarization and to diversify investments into different currencies," Valladares says.

Updated on Jan. 12, 2026: This story was published at an earlier date and has been updated with new information.

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