

InvAsset's Voice



Beyond the Dollar:

The Case for a Multipolar Currency System



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The Rupee's Silent Rise: India's Strategic Push Against Dollar Dominance

For over half a century, the U.S. dollar has served as the backbone of global finance, cementing Washington's influence across trade, investment, and geopolitics. Its grip was institutionalized in 1971 when President Nixon severed the dollar's link to gold, granting the United States the extraordinary ability to print money at will. What followed was the so-called "dollar printing crime": a system of seigniorage where America extracts disproportionate benefits from the rest of the world. Producing a \$100 bill costs just 12 cents, yet the global economy must bear the burden of its valuation. In 2025 alone, seigniorage profits are projected at \$804 billion — a silent tax on the international system.

But the edifice is showing cracks. The dollar's share of global reserves has fallen from 71% in 1999 to just 57.8% in 2025. Against this backdrop, India has made a decisive move: the Reserve Bank of India's August 5, 2025 circular eliminated the six-week approval wait for opening foreign rupee accounts, reducing it to just 24 hours. Indian banks can now open Special Rupee Vostro Accounts (SRVAs) instantly — an operational tweak with profound strategic consequences.



The INR Bypass Highway

The brilliance of SRVAs lies in their simplicity. Foreign banks can now hold rupees with Indian banks and settle trade directly in INR, bypassing the dollar altogether. Buyers pay in rupees, sellers receive rupees, and no dollar conversion is required. This innovation is more than regulatory efficiency – it is a deliberate attempt to create a parallel highway for global trade.

The momentum is visible. As of mid-2025, 156 SRVAs are active across 30 countries, enabling \$16 billion worth of trade settlements in rupees. By conserving over \$650 billion of India's forex reserves, the system not only reduces vulnerability to dollar fluctuations but also provides exporters with cost savings of 2–3% per contract. If just 10% of India's \$800 billion annual trade shifts into rupees, nearly \$80 billion would bypass the dollar each year, generating \$1.6–4 billion in forex savings. The multiplier effect ensures that each rupee account creates demand for more rupee accounts, accelerating adoption.





From Russia to Sri Lanka: **The Global Uptake**

What started as a workaround to sanctions is becoming a global pattern. Russia uses rupees for oil, coal, and fertilizer exports. The UAE signed a full bilateral rupee settlement pact in 2023. Sri Lanka relies on rupees for essential imports like food and medicines. Malaysia, Singapore, and Mauritius are actively settling trade in INR, while even smaller nations such as Fiji and Botswana have joined the system.

This adoption reflects both necessity and pragmatism. The global south, long disadvantaged by dollar-linked inflation, now sees an alternative. For India, it is more than transactional efficiency; it is a strategic rebalancing of trade architecture.

Sanctions as an Unintended Catalyst

Ironically, it was the West that provided the spark. The 2022 sanctions on Russia froze its dollar channels, compelling Moscow to seek alternatives. India seized the opportunity, switching oil payments into rupees via SRVAs. This secured discounted crude oil while proving that INR could function as a commodity settlement currency. America's attempt to weaponize finance inadvertently demonstrated that dollar-free trade is viable at scale.

The irony is stark: the very mechanism designed to isolate Russia became the launchpad for India's currency strategy. America's weapon turned into India's opportunity.



BRICS and the Multilateral Push

The real inflection point, however, lies in the BRICS bloc. For the first time, BRICS countries have agreed to settle trade in Indian rupees — a collective shift that expands beyond bilateral deals into a multilateral framework. This is not a full exit from the dollar, but it is a significant milestone in making the rupee part of global financial plumbing.

The bloc's plans are ambitious: by 2030, BRICS aims for 60–70% of trade in local currencies. India's instant SRVA system directly accelerates this timeline. Bilateral swaps and local currency arrangements are proliferating, creating a lattice of alternatives. The symbolism is powerful — leaders from Brazil, Russia, India, China, and South Africa now stand behind the rupee's role in settlement, elevating it from a domestic currency to a legitimate instrument of global commerce.



The Numbers Behind De-Dollarization



The dollar's global dominance is quietly eroding. Its share in trade settlements has slipped from 85% to 72%. The cumulative impact of 30 nations using the rupee for trade is not yet existential for the dollar, but it signals a structural recalibration. If BRICS economies realize their stated plan, the compulsion to hold and use dollars will fall dramatically.

This is not about an overnight dethroning of the dollar. Rather, it is about making the dollar optional, not mandatory. In a multipolar financial system, optionality itself is power.

The Strategic Horizon: 2040 and Beyond

The Reserve Bank of India has been careful to temper expectations. As the Governor noted, “We’re de-risking trade, not dethroning the dollar.” The strategy is not confrontation but preparation — building alternatives before the next global crisis exposes the fragility of dollar dependence.

The envisioned trajectory is sequential: first, use local currency for domestic needs; next, scale it into a credible trade currency; and eventually, position the rupee as a reserve currency. By 2040, the rupee could rank among the world’s top 10 reserve currencies. This is not a claim of dominance but an assertion of resilience. For emerging markets, the ability to transact without perpetual reliance on the dollar is itself a form of financial sovereignty.



A New Currency Order

The world is moving toward a recalibrated financial order. For decades, the U.S. enjoyed unmatched privileges from the dollar's role. That era is entering a slow unwinding. Each SRVA opened, each bilateral swap signed, and each trade conducted in rupees chips away at the monopoly. India, through small but deliberate steps, has positioned itself as a frontrunner in shaping the post-dollar world.

For investors, this is not a matter of ideology but of arithmetic. The redistribution of currency demand will influence capital flows, commodity pricing, and reserve management for decades to come. The dollar's monopoly is ending not with a crash, but with a gradual diversification. The rupee is no longer just India's domestic instrument; it is becoming a global option.

The truth is subtle yet powerful: dollar dominance is not collapsing overnight, but it is being quietly diluted — one rupee at a time.



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