Stablecoins and central bank digital currencies: Geostrategic stakes for the international monetary system

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Stablecoins and central bank digital currencies: Geostrategic stakes for the international monetary system

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Although the term "sovereignty" is seeing renewed interest, it is used mostly in the context of economic sectors (energy, pharmaceuticals, technology, etc.), while the financial dimension is overlooked. Russia's war has been a brutal reminder that modern warfare involves not only weapons, but also economic and financial sanctions. The issue of financial sovereignty is inseparable from any attempt to gain economic sovereignty. Financial sovereignty, which can bestow extraterritorial power, is a protean concept. Nevertheless, one of its key characteristics consists of having an international currency, in all its dimensions. With the renminbi gaining strength, the United States may fear that the dollar will lose its supremacy.

What can we learn from an analysis of how the dollar's weight in the international monetary system (IMS) has changed over the last two decades, which have seen the creation of the euro and efforts by China to internationalize the renminbi? As the share of the United States' gross domestic product (GDP) in world GDP declines, is the dollar's dominance under threat? And if, so in what timeframe? To answer this question—one of strategic importance, because the dollar's supremacy gives the United States an additional weapon of deterrence—we must consider

the technological innovations that could be used as competitive tools enabling (or not) the "dedollarization" of the IMS.

These innovations include stablecoins, which are a major challenge for regulators not just because of the risk they pose to the stability of the banking and financial system, but also from the perspective of the reserves that "guarantee" their value. If these "coins" are backed by the dollar (currency or US Treasury securities) and they become widespread, will they increase the dollar's supremacy in the IMS? Analyzing the impact of the development of stablecoins helps us understand why and how their emergence must also be evaluated in terms of international strategic competition.

Moreover, transnational use of any currency depends on infrastructure, which also has a strategic dimension. The exclusion of certain Russian banks from the SWIFT system has led to increased use of the Chinese Cross-Border Interbank Payment System (CIPS), whose transaction volume had already risen by 75% between 2021 and 2022. For this reason, a number of central banks are currently conducting "major projects" involving central bank digital currencies (CBDCs) (de Sèze 2023). Their motivations are numerous and vary depending on each country's degree of financialization and economic development and on whether the CBDC in question is retail or wholesale. In the latter case, motivations related to the efficiency and security of cross-border interbank payments seem to be crucial in the context of competition between currencies within the IMS.

This article explores the emergence of stablecoins and CBDCs as a geostrategic issue that could have the effect of maintaining the dollar's supremacy or even extending its sphere of influence, hampering the development of a truly bipolar or tripolar IMS.

The IMS: Monopolar, bipolar, or tripolar?

A currency's dominance in the IMS can be measured using various criteria, most conventionally its share of transactions on the foreign exchange market, its share of central banks' foreign exchange reserves, its share as an invoicing currency in international transactions, or its share of international debt. But it depends above all on the economic strength of the country that issues the currency (in terms of GDP and share of world trade). There are currently three countries/areas, and so three currencies, that are capable of competing for dominance: the United States, China, and the Eurozone.

Recent debates around the—partial—loss of the dollar's unchallenged dominance generally refer to declining use of the dollar as a foreign reserve currency. The USD's share of central bank foreign exchange reserves has been falling for the last twenty years, from 71% in 1999 to 59% at the end of 2021. Arslanalp *et al.* (2022) emphasize that this erosion is not due to currency or interest-rate effects, but rather reflects a move by central banks to diversify their foreign exchange reserves. Among the key factors driving this development, the weight of international trade and the currency in which foreign debt is issued (see Aizenman *et al.* 2020 for a fuller analysis) are the most significant. Nevertheless, this decline in the dollar's share has not been accompanied by a rise in that of the euro, which remains stagnant at around 20%, with the European sovereign debt crisis having brought its initial vitality to an abrupt end. Rather, it is part of a global trend that has seen the decline of the four major traditional currencies (the USD, EUR, JPY, and GBP) and the rise of other, nontraditional currencies that had almost no presence twenty years ago but whose share reached 10% in 2021. The renminbi alone accounts for a quarter of this group, with Russia holding almost a third of the world's renminbi reserves at the end of 2021.[1]

The most striking feature of the Bank of International Settlements' latest triennial report on the foreign exchange market (BIS 2022a) is the rise of the renminbi, which in three years has gone from the eighth to the fifth most exchanged currency, leapfrogging the Swiss franc, the Canadian dollar, and the Australian dollar. If it continues at this growth rate, which is the result of a deliberate and active strategy on China's part, the renminbi could surpass the British pound in the next three years. The dollar is still supreme, of course, and has no close challengers: Total transactions in euros, the second most exchanged currency, amount to just a third of those in dollars, and indeed have fallen significantly in the last decade. Again, the sovereign debt crisis has made the euro less attractive by highlighting the fragmentation of the Eurozone's markets.

These two criteria alone are not, however, sufficient to conclude that the dollar's supremacy as an international currency is fading. The financial dimension must also be taken into account. Although use of the dollar as an invoicing and payment currency for international trade has remained stable for the last twenty years, while the United States' share of world GDP has fallen by around five points, it is important to remember that international trade doubled between 2000 and 2021, with China's

1. See Serkan Arslanalp, Barry Eichengreen, and Chima Simpson-Bell, "Dollar Dominance and the Rise of Nontraditional Reserve Currencies," IMF Blog, June 01, 2022, accessed August 04, 2025, https://www.imf.org/en/Blogs/Articles/2022/06/01/blog-dollar-dominance-and-the-rise-of-nontraditional-reserve-currencies.

trade growing by more than 800% over the same period. The dollar's share of invoicing transactions is 3.1 times higher than the US's share of global exports. In comparison, this ratio is just 1.2 for the euro. Thus, although the European Union is the world's leading energy importer, more than 80% of its energy imports are settled in dollars. Likewise, the dollar continues to dominate as a financing currency (more than 60% of international bonds and loans are issued in dollars, three times higher than in euros).

For the moment, then, the dollar remains the dominant international currency, and the United States continues in its role as the indispensable guarantor of liquidity at the international level. Is this situation likely to change? It is hard to envisage the euro becoming more powerful unless the Capital Markets Union becomes a reality. On the other hand, the proceedings of the June 2022 BRICS summit show that attaining financial strategic independence is now a key concern for the BRICS nations (Brazil, Russia, India, China, and South Africa[2]), particularly China and Russia. It also reveals their desire to accelerate the dedollarization of the world economy as a way to reduce their dependence on the dollar and remove the need to use the West's payment and settlement infrastructure, which would mitigate the impact of American monetary and financial sanctions in the event of conflict.

IV

This might give rise to a contemporary form of the Triffin dilemma,[3] with the tendential decline of the United States' economic weight (measured by its share in both world production and international trade) leading to a liquidity shortage that could disrupt the IMS (Gourinchas *et al.* 2019) if there is a credible currency that can genuinely rival the dollar.

Given the potential boom in crypto assets—and particularly stablecoins and CBDCs—how might they influence the evolution of the IMS? More than 95% of stablecoins are pegged to the dollar. They thus seem to support the notion that the IMS's liquidity supply is still based on the dollar. The issuance of CBDCs, which is expected to be accompanied by technological innovations to improve cross-border payment infrastructure, could also strengthen the international dimension of these currencies. This in part explains why more than 85% of the central banks that

2. Editorial note: The BRICS's membership has since expanded, now comprising eleven countries: Brazil, Russia, India, China, South Africa, Saudi Arabia, Egypt, United Arab Emirates, Ethiopia, Indonesia, and Iran.
3. For an international currency to be dominant it must be safe and highly liquid. According to the Triffin dilemma, a currency cannot remain a dominant international currency forever because liquidity requires a current account deficit, which erodes confidence, but a current account surplus would lead to a lack of international liquidity and so to instability.

have so far responded to the BIS's most recent survey on the subject (Kosse and Mattei 2022) are investigating their potential benefits.

Stablecoins and the supremacy of the dollar

Crypto assets issued using decentralized ledger technology, such as blockchain, have proliferated since the 2010s. There is significant variation between crypto assets, however. It is important to be aware of the key differences between the principal assets, because they raise different issues for the IMS. Privately issued crypto assets include cryptocurrencies, which have no intrinsic value and whose exchange rate fluctuates in line with demand (supply being exogenous and essentially fixed). For example, Auer *et al.* (2022) show that the rise in the Bitcoin exchange rate was primarily correlated with the emergence of several hundred million buyers between August 2015 and November 2021. They are not true currencies because they do not fulfill any of the fundamental functions of a currency (unit of account, means of payment, store of value). From this perspective, the year 2022 was revealing: The Bitcoin rate fell from 69,000 USD in November 2021 to 16,000 USD in November 2022. This development should cool the rather irrational enthusiasm toward these assets, which can in no way rival international currencies.

Stablecoins pose a different problem because they are designed to have a nominal anchor, generally the unit of account of a sovereign currency, but in some cases other assets. Two mechanisms are used to maintain parity with a given currency: either stablecoins are backed by reserves, which can be held in a centralized ledger ("on-chain") or a distributed ledger ("off-chain"), or parity is maintained by an algorithm. Stablecoins backed by off-chain reserves can be compared to narrow banking models, because their issuers are expected to hold 100% collateral in reserve so they can fulfill all requests for converting the stablecoin into currency. For on-chain collateralized stablecoins, meanwhile, because there is no sovereign digital currency, parity is ensured by means of a cryptocurrency collateral whose price fluctuates over time. For that reason, created stablecoins are over-collateralized, because if the value of the collateral falls below a certain threshold they must be destroyed. For algorithmic stablecoins (with no collateral), parity is maintained by an algorithm that modifies the stablecoin's supply depending on user demand (Baughman *et al.* 2022). This system's weakness lies in its asymmetry: It is easier to mint stablecoins when their rate is above parity than to burn them when their rate is below it, which requires redeeming them with specially issued "tokens" that offer future income. These algorithmic stablecoins,

which are not backed by "real" reserves, have already rattled the crypto ecosystem, particularly with the collapse of Terra-Luna in May 2022, which wiped out $60 billion of investors' money.

The lack of a sovereign digital currency and the vulnerability of algorithmic stablecoins explain why more than 90% of stablecoins are currently (December 2022) "off-chain" and overwhelmingly pegged to the dollar.

Although stablecoins only make up a tiny proportion of the total money supply, in the long term there is a risk that they could cause financial instability[4] because of their potential for global use. Global stablecoins could see rapid growth thanks to a preexisting user base in numerous countries, as might have been the case with Facebook's Libra-Diem project.

The risk of financial instability is similar to that posed by other forms of private currency introduced in the past. Much attention has been drawn in the current debate to the analogy between stablecoins and bank deposits. Stablecoins backed by reserves can be likened to a full-reserve banking system in which commercial banks commit to holding a unit of reserve for each unit of deposit they issue (reserves that fully cover deposits are supposed to eliminate the risk of bank runs and so bank failure). Nevertheless, as for other forms of private currency, there is an incentive to disregard the full-reserve rule and adopt classic profit-maximizing behavior. Following this logic, instead of holding liquid reserves, stablecoin issuers acquire financial assets. If there is a sudden withdrawal of stablecoin deposits (liquidity crisis), the issuer will sell its assets, which can trigger a drop in their price if large quantities are sold. The value of the reserves can thus fall below the value of the issued stablecoins, leading to a solvency crisis in the event of insufficient equity. Moreover, if the stablecoin issuer has been tempted to acquire less liquid assets, which offer higher returns, the impact on the price will be even greater. The potential for the crisis to spread to other actors in the financial sphere justifies these concerns around instability. In contrast to bank deposits, stablecoins are generally not yet subject to strict regulation and are unlikely to have access to a lender of last resort. To date (at the end of 2022), there is also no guarantee for the transparency and reliability of information about how stablecoin issuers manage their reserves.

4. The innovations that stablecoins are poised to bring about are significant and point to their further expansion. Indeed, stablecoins can already facilitate the automatic execution of transactions via smart contracts, reducing settlement risk (Arner *et al.* 2020).

However, transparency, regulation, and supervision are absolutely indispensable to the stablecoin ecosystem.

Stablecoins can also be compared to the currency board regimes introduced by some governments to limit monetary issuance and so make attempts to control inflation more credible. In a currency board system, the central bank commits to holding sufficient reserves to exchange the entire monetary base against currencies at a fixed, nominal exchange rate. An illustrative example is that of Argentina in the 1990s. In 1991, in response to several episodes of hyperinflation, Argentina adopted a currency board regime that pegged the peso to the dollar. Combined with other economic policies, it was able to get inflation under control. Nevertheless, the money created by the banking system as a whole far exceeded the dollar reserves held by the central bank, because banks were authorized to issue dollar deposits over and above their reserves. In 2001, no longer able to cope with dollar withdrawals, the government had to devalue the peso and abandon the currency board.[5] The level of monetary creation by the banks, which was permitted by the authorities despite being well above the amount compatible with the system's reserves, inevitably caused the collapse of peso-dollar parity. This outcome is yet another example of the financial instability that can result from private monetary issuance combined with a reserve-management rule aimed at replicating an external unit of account.

Other than these potential sources of financial instability, the future course of stablecoins also raises questions about how they could contribute to the supremacy of the dollar as an international currency. The answer varies depending on whether stablecoins are pegged to the dollar or to a basket of currencies: The dollar's supremacy within the IMS would be boosted by a dollar peg but undermined by a basket peg.

Another key factor is a potential substitution of national currencies with stablecoins themselves. Stablecoins can offer private actors an alternative asset to the national currency, which is useful for protecting against inflation and currency risk and also for circumventing capital controls in emerging economies with severe macroeconomic volatility. The adoption of dollar-backed stablecoins has already increased significantly in emerging economies since 2020, especially in those with high currency risk. For example, Aramonte *et al.* (2022) show that in 2021,

5. The lack of liquidity caused by the strict regulation of monetary issuance contributed to GDP falling by a combined total of 25% in the four years before the currency board was abandoned.

the Brazilian real and the Turkish lira were overrepresented on stablecoin exchanges in relation to their participation in the traditional foreign exchange market.

The development of easily accessible stablecoins could thus lead to a substitution of local currencies, similar to the phenomenon of dollarization seen in developing nations with particularly high inflation in the 1980s.[6] As in the case of dollarization, widespread holding of these crypto assets could erode monetary policy's margin for maneuver in these economies, but would reduce the risk of savers being tempted to use private, non-collateralized crypto assets (such as Bitcoin). To limit dollarization, and so the loss of monetary sovereignty, governments have historically relied on various types of measure ranging from fiscal and monetary reforms to reduce inflation to the introduction of capital controls limiting access to the dollar. As described by Levy-Yeyati (2021), after a period of increasingly intense dollarization in emerging economies in the 1990s, the trend started to reverse in the 2000s. Using a sample of 105 countries (not including offshore financial centers), Levy-Yeyati shows that in 2000, seventy-six countries had a ratio of dollar deposits of at least 10% and were thus deemed to be dollarized. Of those countries, fifty-three managed to reduce the dollarization of their bank deposits (most by a moderate amount, although some countries saw a substantial reduction, such as Bolivia and Peru, where the dollar deposit ratio fell by 65% and 28% respectively). This dedollarization process was driven by various factors, including macroeconomic stability and the implementation of targeted measures by governments (for example raising the required reserve ratio for deposits denominated in foreign currencies). Faced with the widespread adoption of stablecoins, governments could use similar measures to those that were effective in limiting dollarization in recent decades. Nevertheless, controlling stablecoin transactions is likely to prove more difficult than influencing the traditional banking system through conventional measures, such as targeting the opening of dollar bank accounts or the withdrawal of dollars (banknotes) from the banking system. Indeed, crypto assets held on a private, decentralized ledger could be especially hard to control for monetary authorities and governments in the most unbanked countries, since even internet access cannot easily be restricted, given the existence of virtual private networks and the darknet.

This use of stablecoins, currently still the preserve of institutional and retail investors (Adachi *et al.* 2022), could also, in emerging economies,

6. Aramonte *et al.* (2022) use the term "cryptoisation" because their argument is based on all crypto assets.

be part of a similar strategy by monetary authorities to that of pegging the currency to a foreign currency, thus creating a "central bank stablecoin." As it stands, eighty countries have an exchange rate regime pegged to a foreign currency, thirty-seven of which use the dollar as reference currency and twenty-six of which use the euro (IMF 2022). Adopting this kind of strategy with stablecoins would have a more substantial impact on the IMS hierarchy.

At least for the moment, however, the majority of stablecoins are pegged to the dollar.[7] They are thus likely to strengthen the dollar's weight in the IMS rather than weakening it (Pfister 2024), especially because they could be adopted much more widely in the coming years.[8] The limiting factor for holders is the risks associated with these crypto assets (currency risk, data capture risk, etc.). Only stablecoins backed 100% by reserves denominated in the currency to which their value is pegged seem to be in a position to fulfill that role. Beyond the disastrous experiments with Bitcoin in countries like El Salvador or the Central African Republic, the setbacks suffered by algorithmic stablecoins show that risk is a crucial consideration. The challenge for regulation will be to monitor how stablecoin providers manage their reserves. Reserves comprising securities are exposed to traditional market risk and, at the macroeconomic level, can contribute to financial instability at a systemic scale due to interconnections. Europe has made faster progress in this area than the United States. The recent Markets in Crypto-Assets (MiCA) Regulation, which will come into force in 2024 and places crypto assets under the control of the European Securities and Markets Authority (ESMA) and the European Banking Authority (EBA), introduces liquidity requirements for stablecoin issuers. The United States, which is also moving toward the regulation of stablecoin issuers' reserves, must navigate sometimes inconsistent initiatives due to fragmented regulators who frequently disagree (particularly on whether existing regulations are sufficient to regulate these assets or whether they need specific, dedicated rules).

Although stablecoins are unlikely to profoundly alter the current international monetary hierarchy—other than to increase the dollar's weight—the risks they pose are one of the motivations for central banks to issue digital currencies.

7. The five principal stablecoins at the time of writing (Tether, USD Coin, Binance USD, DAI, and Pax Dollar) are denominated in dollars.

8. This helps to explain why the United States is less eager to issue a digital dollar.

CBDCs and the IMS

As things stand, central banks issue two forms of the same currency, recorded on their balance sheets as liabilities: Banknotes held by the public and reserves held by commercial banks. While banknotes have a physical medium (paper), reserves (or base money) are created through book-entry transfers and are held in electronic form. The introduction of CBDCs, whether aimed at the public (retail CBDCs) or financial institutions (wholesale CBDCs) would thus represent a new form of central bank money, with potential implications for the banking and financial system, for monetary policy, and ultimately for the real economy. The distinction between retail and wholesale CBDCs is crucial for understanding how these new forms of sovereign money will affect the IMS. While fiat money (physical and anonymous) is accessible to all, only commercial banks with a central bank account can hold base money in electronic form. Retail and/or wholesale CBDCs will also have specific access criteria that will (potentially) distinguish them from existing forms of money and could turn out to be a crucial factor in the international competition between currencies (for example by allowing or prohibiting non-residents or certain financial actors to use them).

Wholesale CBDC projects are justified primarily by the need to make cross-border payments between financial intermediaries more efficient. These currencies would be intended exclusively for financial institutions and could be made accessible to a larger number of institutions than those that currently have access to central banks' balance sheets. In contrast to reserves held by commercial banks in their accounts with the central bank of the country in which they are located, wholesale CBDCs could be accessed via a shared ledger system, making them available globally and around the clock. Necessarily interoperable with the large-value payment system infrastructures in place at the national or currency-union level, they could also be interoperable with each other. Numerous experiments are underway to test prototypes of wholesale CBDCs using distributed ledger technology.[9] The international dimension of these projects is crucial because improving the execution of cross-border payments (making them faster, lower cost, and more operationally efficient) will depend on cooperation between central banks, which explains the BIS's role in coordinating the development of standards for

9. Examples include Project Cedar, launched by the New York Innovation Center (Federal Reserve Bank of New York), and the European Investment Bank's recent issuance of a digital bond on a blockchain (Project Venus, in November 2022), which was coordinated by the Banque de France and the Banque centrale du Luxembourg.

ensuring interoperability between CBDCs issued by different countries.[10] While initial discussions around CBDCs focused on the issues that arise at the scale of a single country's economy, the international dimension of CBDCs has recently attracted more attention in the public debate. It is reasonable to ask whether the issuance of CBDCs would change the current monetary configuration by undermining the dollar's dominance. The issuance of wholesale CBDCs, particularly by central banks that issue international currencies, is key from this perspective. Intended for payment operations between financial institutions, wholesale CBDCs are part of a more or less aggressive policy by central banks and governments to promote transnational use of their currencies.

In the context of the currency competition that is expected to result from the introduction of wholesale CBDCs, the question of whether to issue a digital dollar remains open in the United States. The necessity and desirability of a digital dollar are currently the subject of debate.[11] For example, Christopher Waller (on the Federal Reserve Board of Governors) is in favor of maintaining the status quo. In his view, the dollar's supremacy in the IMS stems from institutional strengths that are separate from the American economy and relatively independent of technology, such as the credibility of monetary and budgetary policy, and so of the monetary and budgetary authorities, and the depth of financial markets. Introducing a digital dollar is not just unnecessary for the maintenance of the dollar's international status; it could actually threaten that status because of cybersecurity risks that could undermine the Fed's credibility in the long term. The opposing view highlights the strategic importance of a digital dollar in terms of US national security. According to Daleep Singh (former deputy national security adviser), a digital dollar would boost the currency's international influence. It would give the United States a powerful voice in defining standards for CBDC interoperability and cross-border payments, covering various aspects such as the protection of private information or the restriction of illegal activities. More specifically, a digital dollar would facilitate the application of international sanctions that exclude certain actors from payment infrastructures dominated by the dollar. The decision not to launch a CBDC would reduce the United States' ability to influence strategic

10. CBDCs could also help to preserve the uniformity of money and its efficiency as a medium of exchange. In contrast, stablecoins, and cryptocurrencies in general, encourage monetary fragmentation because their decentralized issuance via a distributed ledger imposes limits on scalability (BIS 2022b).

11. See the speeches by Christopher Waller and Daleep Singh at the "Digital Currencies and National Security Tradeoffs" symposium, organized by the Harvard National Security Journal, Cambridge, Massachusetts, October 14, 2022.

developments, such as the large-scale transition to CBDC technology, which would enable transactions between countries to be carried out more quickly and involving larger amounts than at present.

This debate illustrates the issues raised by wholesale CBDCs for the international monetary configuration. Introduction of a wholesale digital dollar could strengthen the dollar's international status as long as the technological risks could be kept under control. In the opposite scenario, although the decision not to issue a wholesale digital dollar would not threaten the dollar's status in the medium term because there is at present no currency that could replace it, it is harder to be sure that it would maintain its supremacy in the longer term. In the absence of a sovereign digital dollar for the use of financial institutions, the dollar's share of international payments could suffer, to the benefit of rival digital currencies associated with platforms offering low-cost cross-border payment services with a high level of operational efficiency.[12] The wide network of renminbi-denominated cross-border payments already in place has encouraged adoption of the Chinese yuan (there is a positive correlation between the share of a country's trade with China and its holdings of renminbi reserves, according to Eichengreen *et al.* 2022).[13] Moreover, the design of standards and ultimately payment infrastructures seems to be a decisive factor in monetary and financial competition between the leading economic powers.

Retail CBDC projects are driven by different concerns. They are, in part, a reaction to the emergence of crypto assets. Amid the long-term decline in the use of fiat money—a trend accelerated by the COVID-19 pandemic—the usefulness of giving all citizens access to a central bank currency designed for the modern, increasingly digital world has been the subject of much debate. Discussion of retail CBDCs has been fueled by various initial motivations. Among the arguments put forward are their potential role in expanding the margin for maneuver in monetary policy—by addressing the problem of the zero lower bound (Bordo and Levin 2017), a view countered by Pfister (2023); in disciplining banks that have market power (Andolfatto 2021); and in curbing tax fraud and illegal activity. In countries where a significant portion of the population

12. Eichengreen and Flandreau (2009) explain that the dollar took over the position enjoyed by the sterling before the First World War thanks to the Federal Reserve Act of 1913, which authorized banks to grant commercial loans in dollars in order to encourage use of the dollar as the invoicing and settlement currency for cross-border transactions. The next stages in the process were to encourage the dollar's use in private financial transactions, and then to encourage its use as a reserve currency by central banks and governments.

13. These authors also show that the ratio of renminbi reserves to international transactions invoiced in renminbi is similar to the ratio of euro reserves to international transactions invoiced in euros.

does not have a bank account, retail CBDCs are seen as a way to facilitate financial inclusion, such as the SandDollar introduced in the Bahamas in 2020.

Like stablecoins, retail CBDCs issued by countries (or zones, in the case of the euro) that issue international currencies could increase this internationalization. A CBDC dollar could increase the dollarization (in the broad sense) of emerging economies, which often have unmet demand for safe, liquid assets. A decisive factor is whether access to international CBDCs would be open or restricted for non-residents. The possible restriction of access would be facilitated by the fact that the CBDC ledger would be controlled by the central bank, thus reinforcing the extraterritoriality of US measures during a conflict. Increased dollarization in emerging nations would lead to a loss of autonomy in monetary policy by weakening the transmission to the real economy of monetary policy operations in the national currency. The presence of international digital currencies would, therefore, be an added incentive for these governments to implement macroeconomic policies designed to maintain trust in their national currency. Depending on the relationship between the adequacy of the measures adopted and the ease of using foreign retail CBDCs, these measures could help to preserve monetary sovereignty on national territory.[14]

The introduction of retail CBDCs could also have an indirect effect on the relative weight of different international currencies because of the risk that they could lead to banking disintermediation and financial instability in the issuing economies. This risk is one of central banks' major concerns around the issuance of retail CBDCs, which would compete with bank deposits and could thus raise financing costs for banks at the same time as leaving them vulnerable to the mass conversion of deposits to central bank money. This could lead to a reduction in the volume of bank credit. These negative consequences of retail CBDCs are more of a danger in Europe, which depends more heavily on its banking sector to finance the real economy, than in the United States, where the financial markets play a greater role in financing the economy. In the long term, these effects of retail CBDCs could impact the performance of different economies, and so the international weight of their currencies, to different degrees (the same argument applies to other aspects of retail CBDCs analyzed in the growing body of literature on this type of currency, such as the

14. In the domain of cross-border payments, on the other hand, preserving monetary sovereignty is much more difficult and certainly not desirable, because it means self-exclusion from the international markets.

conduct of monetary policy, the level of banking risk it encourages, or data protection).

It is certainly difficult to predict how the rise of crypto assets could influence the future development of the IMS. Stablecoins already exist but have not yet reached the critical size to have a real impact. Above all, until the management of stablecoin reserves is strictly regulated and supervised, they will not offer the features a currency needs if it is to become a key international currency. In contrast, use of a currency as a reserve currency can help to strengthen its weight at the international level. CBDCs, and particularly wholesale CBDCs, could have a more significant impact on the IMS because they could be used for cross-border payments for goods and services, and especially financial assets. Although they have undeniable advantages if the technological problems can be overcome, the question of their interoperability remains important. This interoperability will be an important geostrategic issue at a time of increased political tension between the US/Europe and BRICS/China blocs.

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