# Concerns rise over the declining dominance of the US dollar amid trade tensions



Concerns have grown in recent weeks over the potential decline of the US dollar as the world’s dominant global currency, a shift linked to ongoing economic tensions and recent policy measures initiated by the Trump administration. The Financial Times (FT) addressed this issue in a recent article headlined “Is the world losing faith in the almighty US dollar?”, concluding that global confidence in the dollar appears to be waning.

Traditionally, in times of financial market turmoil, investors seek refuge in the US dollar by purchasing US Treasury bonds, thereby driving up the currency’s value. However, since the introduction of President Trump’s “reciprocal tariffs”—which impose duties ranging from 30 to 50 percent on a broad range of imported goods—there has been a noticeable outflow from US government debt. Correspondingly, the dollar’s value has depreciated while the price of gold, often regarded as a tangible store of value, has surged to record highs.

Although a 90-day suspension of these tariffs was announced to facilitate trade negotiations, uncertainty persists about the economic landscape once this pause concludes. Recent trade discussions held in Washington between US officials and the Japanese trade representative concluded without agreement, underscoring the challenges in resolving these tensions.

FT columnist Rana Foroohar characterised the situation by stating that the United States under Trump now resembles an “emerging market” economy. She noted, “Trump has finally ended America’s exorbitant privilege,” referring to the US’s historic ability to leverage the dollar’s reserve currency status. Foroohar remarked that while previously she would have dismissed concerns of an emerging-market-style debt crisis centred in the US, the current trajectory has altered that assessment.

The US national debt, now hovering around $36 trillion and rising, faces further pressure from the combination of tariff-driven economic slowdown and proposed corporate tax cuts. Deutsche Bank’s George Saravelos echoed this sentiment, noting in a recent report that despite the tariff reprieve, “the damage to the USD has been done,” and the global financial community is reassessing the dollar’s structural appeal, entering a phase of “de-dollarization.”

It is important to note that the current crisis is not solely attributable to recent policy changes but is rooted in long-term trends in the US’s economic position. The post-World War II global economic system, shaped by US-led institutions and agreements, established the dollar as the backbone of international finance, initially pegged to gold. However, this framework began to unravel in the early 1970s when President Nixon ended the dollar’s convertibility into gold, effectively transitioning to a fiat currency system. This shift heralded an era of freely floating currencies and increased financial deregulation.

The subsequent decades saw the growth of financialisation—a trend where profit increasingly derives from speculative finance rather than production—and the gradual dismantling of regulatory protections, culminating in the repeal of the Glass-Steagall Act in 1999. The post-Cold War globalisation wave further integrated economies worldwide, with China’s entry into the World Trade Organization ushering in a new chapter of international trade dominated by low-cost manufacturing.

China’s economic ascent, driven by an expanding industrial base and growing middle class, has challenged US economic hegemony. Acknowledging this shift, the Obama administration pursued a strategic pivot toward Asia, aiming to reinforce US influence in the region. However, trade imbalances have continued to grow, exacerbating fiscal pressures.

US fiscal policy has relied on the dollar’s reserve status to finance expanding government debt, including substantial military expenditures. As commentator Fareed Zakaria pointed out in 2023, “America’s politicians have gotten used to spending seemingly without any concerns about deficits,” enabled by the dollar’s unique international standing.

Some experts argue the dollar will retain its dominance due to the absence of credible alternatives. Mark Sobel, former US Treasury official and current chair of the Official Monetary and Financial Institutions Forum (OMFIF), was quoted in the FT as saying, “The dollar’s dominance will remain in place for the foreseeable future because there are no viable alternatives. I question whether Europe can get its act together, and China is not opening its capital account soon. So what’s the alternative? There just isn’t one.”

While Europe and China currently face limitations in offering a viable currency alternative, the underlying trends suggest the possibility of a fracturing global economy divided into competing trading, financial, and currency blocs, reminiscent of economic fragmentation witnessed between the world wars.

The escalating trade tensions—highlighted by tariffs of up to 145 percent and stringent controls on high-tech exports to China—reflect the Trump administration’s broader aim to safeguard national security by maintaining US military and economic dominance. These policies have effectively placed the US and China on a collision course, raising questions about potential future conflicts.

Amid these developments, analysts note the lack of clear solutions from leading capitalist governments worldwide. Their response to systemic economic challenges appears to revolve around heightened economic warfare, increased military spending, and the imposition of more authoritarian governance structures.

The World Socialist Web Site reports that only the international working class, through organised political struggle, possesses the potential to address the systemic crisis underpinning these geopolitical and economic upheavals. However, this perspective emphasises the necessity of coordinated socialist-oriented political action to influence future outcomes.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.mprnews.org/story/2025/04/18/strange-selloff-in-the-dollar-raises-the-specter-of-investors-losing-trust-in-the-us> - This article supports concerns that recent economic policies, including those from the Trump administration, have led to a loss of confidence in the US dollar, potentially eroding its status as the world’s reserve currency.
* <https://www.investopedia.com/experts-warn-weakening-dollar-signals-crisis-of-confidence-in-backbone-of-global-markets-11715080> - It highlights the decline of the US Dollar Index and warns of a crisis of confidence in U.S. financial stability, further underscoring fears about the dollar’s dominance.
* <https://www.jpmorgan.com/insights/global-research/currencies/de-dollarization> - This piece discusses de-dollarization and its implications, which align with the notion of declining global reliance on the US dollar in international transactions due to geopolitical shifts.
* <https://www.brookings.edu/articles/the-changing-role-of-the-us-dollar/> - The article explores changes in the dollar's role, including a decline in its share of global reserves, reflecting long-term trends affecting its status.
* <https://www.ft.com/content/0d2bac02-5ea3-11eb-8ff5-c78d64a1c240> - Unfortunately, this exact FT article was not provided in the search results. However, typically FT articles on similar topics would discuss concerns over the dollar's position due to economic policies and global economic shifts.