Currency Competition in Transition: De-dollarisation, Gold, Digital Money, and the Future of Global Trade and Regional Cooperation

Shaokai Fan
Head of Asia-Pacific, Global Head of Central Banks, World Gold Council, United States

Abstract

This paper discusses the growing influence of geopolitical developments on the international financial and monetary system, with particular emphasis on the changing role of gold as a reserve asset. The presentation explains current developments in global gold demand and supply, the increasing importance of emerging markets, and the sustained rise in central bank gold purchases since 2022 following heightened geopolitical tensions. It further examines how central banks are strengthening reserve diversification by increasing gold holdings, adjusting reserve storage strategies, and gradually reducing dependence on traditional reserve assets while maintaining the continued importance of the US dollar. Attention is given to Indonesia's strategic position as one of the world's leading gold producers and to opportunities for strengthening the domestic gold ecosystem through bullion banking and financial market development. The presentation also discusses the growing role of digital assets, cryptocurrencies, and stablecoins within the international financial system. It concludes that geopolitical uncertainty is accelerating reserve diversification, with gold increasingly supporting financial resilience while de-dollarisation remains a gradual rather than abrupt process.

Keywords: Central Bank Reserves, De-dollarisation, Digital Money, Gold, Geopolitical Risk.

Corresponding Author:
Shaokai Fan

Email:
shaokai.fan@gold.org

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Introduction

The international financial system is increasingly experiencing the spillover effects of geopolitical developments that extend beyond trade and security into monetary and reserve management. As geopolitical competition intensifies, financial markets are becoming another arena in which countries reassess economic resilience, strategic autonomy, and reserve management policies. Within this environment, gold has attracted renewed attention because of its long-established role as a trusted reserve asset and its independence from the liabilities of any individual country.

The presentation provides an overview of current developments in the global gold market. Although gold remains one of the world's scarcest commodities, with total above-ground stocks estimated at approximately 220,000 tonnes, global demand continues to expand. Around seventy per cent of worldwide gold demand now originates from emerging market economies, compared with thirty per cent from developed economies, representing a significant reversal from the market structure observed two decades earlier. China and India together account for approximately half of global gold demand, while countries including Indonesia, Thailand, and Vietnam continue to strengthen their positions within the global market.

The discussion further highlights Indonesia's strategic importance within the international gold industry. As the tenth-largest gold producer globally and the largest producer in Southeast Asia, Indonesia occupies a favourable position to benefit from sustained demand and higher gold prices. The presentation also notes ongoing collaboration between the World Gold Council and the Government of Indonesia to develop a national gold roadmap, strengthen bullion banking services, and improve the integrity of the domestic gold supply chain.

Result and Discussion

The presentation explains that gold production is geographically diversified across every continent except Antarctica, making global supply more resilient than many other strategic commodities because production is less exposed to concentrated supply disruptions. Indonesia's position as a major gold producer therefore offers significant opportunities to strengthen both its mining industry and its broader financial system.

A central theme of the presentation concerns the changing role of gold in central bank reserve management. Although central banks reduced gold holdings following the collapse of the Bretton Woods system, this trend reversed in 2010 when they became consistent net purchasers. Annual acquisitions increased markedly after 2022, rising to around one thousand tonnes compared with approximately five hundred tonnes previously. This shift was closely linked to the geopolitical consequences of the conflict in Ukraine, which exposed the vulnerability of foreign exchange reserves held abroad, while domestically stored gold remained fully accessible. Consequently, many central banks increased gold holdings to strengthen strategic autonomy and reduce dependence on foreign financial jurisdictions.

The presentation identifies two factors underlying gold's growing importance. Gold is the only major reserve asset that is not issued as the liability of another sovereign state, and it exists as a physical asset that can be stored or transferred according to national security considerations. These characteristics have reinforced its attractiveness during periods of geopolitical uncertainty.

Central bank reserve strategies increasingly reflect both economic and geopolitical considerations. Poland became the largest purchaser of gold during 2025 and 2026, while China significantly expanded its acquisitions. Indonesia also continued increasing its reserves alongside several emerging economies, whereas Türkiye and Russia reduced part of their holdings in response to domestic economic and fiscal pressures. Consistent with these developments, the World Gold Council reported that forty-five per cent of surveyed central banks intend to increase gold holdings over the next twelve months, while expectations regarding the relative share of the US dollar in global reserves continue to decline. Reserve management has also evolved through the repatriation of gold reserves and the diversification of overseas storage locations beyond traditional financial centres.

Beyond reserve assets, the presentation discusses the growing role of digital finance. Cryptocurrencies and stablecoins are becoming increasingly integrated into institutional and retail investment portfolios despite continuing market volatility. However, US dollar-backed stablecoins should be understood as alternative mechanisms for holding dollar-denominated assets rather than substitutes for the US dollar itself.

The presentation concludes by highlighting opportunities for Indonesia to strengthen its position in the international gold market through the development of bullion banking, expansion of domestic gold services, and deeper integration of gold into the national financial system. At the regional level, initiatives by Singapore and Hong Kong to develop major international gold trading centres further demonstrate Asia's expanding role in the global precious metals market.

Conclusion

The presentation concludes that geopolitical developments are increasingly influencing international financial markets, reserve management, and monetary policy decisions. Central banks worldwide continue to strengthen financial resilience by diversifying reserve portfolios, increasing gold holdings, and reviewing reserve management strategies while maintaining confidence in gold as an independent and highly liquid reserve asset.

The discussion further emphasises that de-dollarisation should be understood as a gradual process rather than an immediate replacement of the US dollar. Although the US dollar remains the world's dominant reserve currency, many countries are strengthening strategic autonomy through broader reserve diversification that includes greater allocations to gold alongside growing participation in digital financial assets. Within this evolving financial landscape, Indonesia is well positioned to benefit from its role as a leading gold producer while strengthening its domestic gold ecosystem and supporting greater resilience within the national financial system.

Publication Note

This article presents an academic adaptation of the presentation delivered at the 10th Jakarta Geopolitical Forum (JGF X) 2026. Editorial revisions were limited to structure, language, and readability, while the speaker's original arguments, meaning, and policy recommendations remain unchanged.

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