

Dollar Weaponization and the Fragmentation of the Global Political Economy: Assessing BRICS Pursuit of Financial Autonomy

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Abstract

The intensifying use of financial sanctions, asset freezes and payment-system exclusions by the United States has turned the dollar from a neutral unit of exchange into an instrument of geopolitical coercion. This paper examines dollar weaponization and its consequences for the fragmentation of the global political economy. The primary objective is to examine the mechanisms through which the weaponization of the US dollar facilitates geopolitical coercion within the international financial system. Furthermore, it assesses the extent to which this weaponization has accelerated de-dollarization initiatives among BRICS countries in their pursuit of financial autonomy. The study adopts a qualitative systematic literature review anchored in structural realism and complimented with the theory of weaponized interdependence. The study finds that the structural centrality of the dollar within global payment networks converts financial interdependence into a coercive tool that dominant states use to monitor, restrict and punish targeted actors. Furthermore, repeated recourse to this tool has pushed China, Russia and members of the BRICS grouping toward alternative settlement systems, reserve diversification and regional financial arrangements, producing a gradual multipolar realignment of monetary power. It concludes that dollar weaponization is accelerating the fragmentation of the liberal economic order it was designed to protect.

1. Introduction

The contemporary international political economy is undergoing a profound transformation, arising from an intensifying geopolitical rivalry, the securitization of economic relations and the gradual fragmentation of the liberal economic order (Woods, 2025). For several decades, the United States (U.S.) dollar have functioned as the cornerstone of the global monetary system, serving as the dominant reserve currency, the principal medium for international trade settlements and the preferred store of value for central banks and private investors alike (Bertaut, von Beschwitz & Curcuru, 2021). This privileged position has not only reinforced the United States' economic influence but has also endowed it with unparalleled geopolitical leverage through its control over critical nodes of the international financial architecture. Consequently, monetary dominance has increasingly become intertwined with strategic statecraft, transforming the dollar from a neutral medium of exchange into a powerful instrument of foreign policy and geopolitical competition (Kirshner, 2022).

The increasing reliance on financial sanctions, secondary sanctions, asset freezes, export controls, and restrictions on access to international payment systems has brought renewed scholarly attention to the concept of dollar weaponization (Drezner, 2021). At the centre of this debate is the influential theory of weaponized interdependence, which argues that states occupying central positions within global economic and financial networks can exploit these asymmetrical structures to monitor, influence, and coerce other states in pursuit of strategic objectives (Aggarwal & Reddie, 2024). Rather than diminishing state power, globalization has produced highly centralized networks that provide dominant actors with unprecedented opportunities to transform economic interconnectedness into geopolitical leverage. As Farrell and Newman (2019) contend, the architecture of global financial and information networks

enables powerful states to convert economic interdependence into instruments of coercion, surveillance, and strategic influence, thereby challenging earlier liberal assumptions that economic integration would inevitably foster cooperation and reduce interstate conflict (Folorunso, Duruji & Chidozie, 2024).

Several developments in recent years have significantly amplified concerns regarding the weaponization of the dollar. The extensive financial sanctions imposed on Iran, Venezuela, Russia, and, increasingly, the technological restrictions targeting China have revealed how access to dollar-denominated financial markets and payment infrastructures can be leveraged to achieve foreign policy objectives without direct military confrontation (Woods, 2025; Drezner, 2021). The freezing of Russian foreign exchange reserves following its 2022 invasion of Ukraine, alongside the exclusion of major Russian financial institutions from the Society for Worldwide Interbank Financial Telecommunication (SWIFT) messaging system, represented perhaps the most comprehensive deployment of financial statecraft in modern history. These actions showed the unprecedented capacity of the United States and its allies to weaponize their structural dominance within the international financial system while simultaneously exposing the vulnerabilities associated with excessive dependence on the dollar-centered global economy (Tooze, 2021). The growing use of these instruments signals a shift from military-centric coercion toward geoeconomic competition, in which financial networks, technological standards and monetary systems increasingly serve as primary arenas of strategic rivalry (Akinyemi, Apeloko, Osimen & Chukwudi, 2024; Aggarwal & Reddie, 2024).

Paradoxically, however, the effectiveness of dollar weaponization has generated incentives for states to reduce their exposure to the U.S.-led financial system. Repeated reliance on financial coercion has accelerated global efforts toward de-dollarization and the construction of alternative financial infrastructures (Guillaume & Madison, 2024; Bertaut, von Beschwitz & Curcuru, 2021). China has expanded the internationalization of the renminbi through bilateral currency swap agreements, the Cross-Border Interbank Payment System (CIPS), and greater use of local currencies in international trade settlements. Russia has equally, substantially restructured its reserve portfolio away from dollar-denominated assets following successive rounds of Western sanctions (Prasad, 2021). Similarly, emerging economies within the BRICS grouping have intensified discussions concerning alternative reserve currencies, local currency settlements, and independent payment mechanisms designed to reduce reliance on Western-controlled financial institutions. These developments bring to light the idea that the very instruments intended to preserve American monetary predominance may inadvertently be contributing to the gradual diffusion of monetary power across an increasingly multipolar international system (Udoh, Aforijiku, Abasilim & Osimen, 2025; Woods, 2025).

This development has contributed to the growing fragmentation of the global political economy, as geopolitical tensions increasingly influence trade, finance, investment and technological cooperation (Freuler, 2023). States are restructuring supply chains, diversifying reserve assets, strengthening regional financial arrangements and developing strategic partnerships shaped increasingly by security considerations (Prasad, 2021). The consequences are significant, with rising transaction costs, reduced

capital mobility and growing pressure on multilateral institutions as competing economic blocs emerge (Richard, 2023). These changes challenge conventional assumptions about the resilience of the liberal international economic order and the stability of the global monetary system (Guillaume & Madison, 2024).

Despite extensive scholarship on financial sanctions, economic statecraft and monetary power, the relationship between dollar weaponization and global economic fragmentation remains insufficiently explored (Guillaume & Madison, 2024; Aggarwal & Reddie, 2024; Richard, 2023). Existing studies often examine sanctions, dollar dominance and de-dollarization separately, limiting understanding of their interconnected effects. (Woods, 2025; Prasad, 2021; Eichengreen, 2019). This study therefore examines how the strategic use of the U.S. dollar facilitates geopolitical coercion while simultaneously encouraging monetary diversification and financial fragmentation among BRICS countries. Drawing on weaponized interdependence (Farrell & Newman, 2019), the study argues that dollar weaponization may strengthen U.S. leverage in the short term while contributing to longer-term monetary multipolarity and changes in global financial governance.

This study addresses this gap by examining how the weaponization of the U.S. dollar is reshaping the contemporary global political economy and accelerating the emergence of a fragmented, multipolar monetary and financial system. Drawing primarily on the theoretical framework of weaponized interdependence (Farrell & Newman, 2019), alongside scholarship on monetary power, financial statecraft, and international political economy, the paper analyses the mechanisms through which dollar dominance facilitates geopolitical coercion and explores the unintended consequences of such strategies for global financial governance. In doing so, the paper contributes to ongoing debates on the future of the liberal international order by showing that while the U.S. dollar remains the world's pre-eminent reserve currency, its strategic weaponization is simultaneously reinforcing the long-term dynamics of economic fragmentation and monetary multipolarity.

The paper is organised into six sections, covering this introduction, a review of relevant literature, the theoretical framework, the methodology, the findings in relation to the two objectives, and conclusions and recommendations.

2. Literature Review

The dollar's position at the centre of global finance did not arise by accident; it rests on decades of institutional design, network effects and strategic choice (Eichengreen, 2019). Bertaut, von Beschwitz and Curcuru (2021) shows that the dollar remains the invoicing currency for most global trade even where the United States is not a direct party to the transaction. Gopinath and Stein (2021) extend this observation by modelling how dominant-currency pricing and banks' reliance on dollar funding reinforce one another, producing a self-sustaining cycle of dollar centrality. Kirshner (2022) argues that monetary structures translate directly into strategic advantage for the state that issues the dominant currency. Cohen (2015) similarly treats currency status as a form of structural power that confers influence

disproportionate to a state's share of world output. Strange (1988) had earlier identified the financial structure as one of the primary sources of power in the international system, a claim that subsequent scholarship on the dollar's centrality continues to validate (Prasad, 2023). Blackwill and Harris (2016) situate this monetary advantage within a wider practice of geoeconomics, in which states pursue strategic objectives through economic rather than military instruments. Taken together, this literature establishes that dollar dominance functions simultaneously as an economic convenience and a geopolitical asset (Woods, 2025).

Scholarly interest in financial coercion accelerated after Farrell and Newman (2019) introduced the concept of weaponized interdependence, which holds that states occupying hub positions within global networks can convert those positions into instruments of surveillance and control. Farrell and Newman (2023) later extended this argument into a historical account of how American control over financial plumbing, technology standards and shipping lanes has been repeatedly converted into coercive leverage. Nephew (2018) had already documented from a practitioner's standpoint how the machinery of sanctions design evolved from blunt trade embargoes into precise, targeted financial restrictions. Drezner (2021) cautions that this machinery is frequently overused, producing diminishing returns as the number of active sanctions regimes multiplies. McDowell (2023) builds on this caution by tracing a direct link between the frequency of American financial sanctions and the growth of anti-dollar policies among sanctioned and non-sanctioned states alike. Newman and Zhang (2024) add that the reach of financial sanctions extends well beyond their intended targets, since banks in third countries often curtail lending to non-sanctioned counterparties out of excess caution. Mallard and Sun (2024) approach the same phenomenon from a legal perspective, arguing that the transnational architecture of sanctions law has developed with little regard for the sovereignty of states that are not party to the original dispute. Drezner (2024) synthesises much of this literature and concludes that sanctions have become the default instrument of statecraft precisely because alternatives carry higher military and diplomatic costs.

Empirical illustration of these theoretical claims is not difficult to find. Tooze (2021) recounts how the freezing of the Russian central bank's foreign exchange reserves after February 2022 removed, in a single administrative act, access to roughly half of the country's official reserves. Sharaf, Shahan, Mansour and Elboghdadly (2026) examine the payment infrastructure that Russia built in response, the System for Transfer of Financial Messages, and find that it has achieved only partial resilience against continued exclusion from SWIFT. Tan (2025) situates the Russian case within a wider pattern of decoupling, arguing that repeated sanctions episodes are gradually eroding the credibility of the institutions that once underwrote global economic governance. Caetano, Galego and Caleiro (2023) apply duration models to a large sample of sanctions episodes and find that financial sanctions targeting Iran and Venezuela achieved their stated objectives in only a minority of cases, despite their severity. Aggarwal and Reddie (2024) reach a similar conclusion, noting that prolonged sanctions regimes tend to entrench the political survival strategies of targeted governments rather than dislodge them. Guillaume and Madison (2024) turn to the technology domain, showing that cross-network restrictions on semiconductor exports to China function through the same structural logic that governs

financial sanctions. Shrivastava and Jash (2025) extend this analysis and find that Chinese firms have responded to export controls with an accelerated, state-subsidised drive toward domestic chip production. Woods (2025) concludes that China's wider response to these controls is best understood as an attempt to escape the weaponized network altogether rather than merely to absorb its costs.

The costs that financial coercion imposes on targeted and non-targeted states alike have generated a discernible policy response (Prasad, 2021). Zucker-Marques (2025) documents the institutional steps China has taken to internationalise the renminbi, including the expansion of the Cross-Border Interbank Payment System and a growing network of bilateral currency swap lines. Connolly, Chen and Yao (2026) track central bank reserve composition between 2015 and 2025 and find a measurable, if gradual, shift away from dollar-denominated assets toward gold and other reserve currencies. Abdullahi, Ibrahim and Mahmud (2024) describe this shift as a direct consequence of the fragmentation that sanctions themselves produce, since states facing potential exposure to future restrictions have a rational incentive to diversify in advance. Oatley, Winecoff, Pennock and Danzman (2013) had earlier warned, using a network model of global finance, that concentrated financial hubs are inherently vulnerable to the kind of backlash that dollar weaponization has since produced. Richard (2023) situates the BRICS grouping's interest in local currency settlement within this same defensive logic, arguing that emerging economies increasingly value monetary autonomy over the efficiency gains that dollar-based settlement provides. Eichengreen (2019) remains sceptical that any of these initiatives can displace the dollar in the near term, given the depth and liquidity advantages that decades of network effects have produced.

Beyond the monetary domain, the same dynamics are reshaping global economic governance more generally. Aiyar et al. (2023) find that geopolitical alignment has become a statistically significant predictor of trade and investment flows, alongside the determinants that gravity models have long relied upon. The International Monetary Fund (2023) reaches a comparable conclusion in its own analysis of foreign direct investment, noting that flows increasingly follow geopolitical blocs rather than efficiency alone. Alsadan, Alalmaee, Zehri and Ben Youssef (2025) extend this finding to financial markets, showing that elevated geopolitical risk raises the cost of cross-border capital movement even between states not directly engaged in sanctions disputes. Freuler (2023) applies a similar lens to digital infrastructure, arguing that the fragmentation of financial networks mirrors an earlier and ongoing fragmentation of the internet along geopolitical lines. Keohane and Nye (1977) had anticipated, in their foundational treatment of interdependence, that asymmetries in mutual dependence create opportunities for the less dependent party to exercise leverage, an insight the present fragmentation of global finance appears to confirm decades later. Guillaume and Madison (2024) conclude that these pressures are producing not a single alternative order but several competing regional arrangements, each organised around a different anchor of trust.

3. Theoretical Framework: Structural Realism

This study is anchored in structural realism, the variant of realist international relations theory developed by Waltz (1979), which explains state behaviour primarily through the distribution of capabilities across

an anarchic international system rather than through the internal characteristics of individual states. For Waltz (1979), states are functionally similar units whose relative position within the system, rather than their domestic institutions or ideology, determines the range of strategies available to them. Kirshner (2022) applies this logic to monetary relations, arguing that currency dominance is a structural capability comparable to military or industrial capacity, which a rational state will use whenever the benefits exceed the costs. Structural realism further holds that states under anarchy must attend to relative rather than absolute gains, since a gain that strengthens a rival more than oneself can still leave one worse off in relative terms (Kirshner, 2022). This concern with relative position helps explain why the United States has been willing to deploy financial sanctions even where doing so imposes costs on its own institutions and allies (Drezner, 2021). This pattern was reaffirmed in the 2022 sanctions against Russia, where financial capability substituted for direct military engagement (Richard, 2023).

Structural realism alone, however, does not fully capture the mechanism by which monetary capability is converted into coercive leverage. Therefore, this study extends the framework through Strange's (1988) concept of structural power and Farrell and Newman's (2019) theory of weaponized interdependence. Strange (1988) identifies four primary structures through which power operates in the international political economy: security, production, finance and knowledge, and argues that control over the financial structure allows a dominant state to set the terms on which other states participate in the global economy. Farrell and Newman (2019) operationalise this insight for the contemporary networked economy, showing that states occupying hub positions within financial and information networks can exploit the resulting asymmetries to monitor and coerce peripheral states. Together, these bodies of theory suggest that dollar weaponization is not an aberration from the logic of structural realism but its extension into the financial domain (Farrell & Newman, 2023). Cohen (2015) adds that currency power of this kind is unusually durable, since it rests on accumulated network effects rather than on any single policy decision, which is one reason the United States has been able to sustain its coercive use of the dollar across successive administrations (Kirshner, 2022).

At the same time, structural realism anticipates a counter-reaction that the weaponized interdependence literature makes explicit. Because the international system is anarchic and states cannot rely on a central authority to constrain the dominant power, targeted and non-targeted states alike have an incentive to reduce their exposure to structures they cannot control (Waltz, 1979). McDowell (2023) documents this incentive directly, showing that anti-dollar policy announcements cluster in the months following major sanctions episodes. Tan (2025) frames the resulting pattern as a slow decoupling rather than a sudden rupture, consistent with the gradual, capability-driven adjustments structural realism predicts. Gopinath and Stein (2021) note that this incentive is partially offset by the depth and liquidity advantages dollar markets continue to offer, which raises the cost of exit even for states with strong motives to diversify. Eichengreen (2019) reaches a similar conclusion from a historical vantage point, observing that previous reserve currencies lost their status only after decades of relative decline rather than in response to any single policy episode. Prasad (2021) frames the resulting tension, between the coercive utility of dollar centrality and the balancing behaviour it provokes, as the central dynamic

shaping the future of the international monetary system. This tension forms the analytical basis for the discussion that follows.

4. Methodology

Research Design

This study adopts a qualitative systematic literature review (SLR) design to examine the relationship between dollar weaponization and the fragmentation of the global political economy. An SLR was considered appropriate because the phenomenon under study cuts across international relations, international political economy and international finance, and a structured, replicable process of evidence identification and synthesis reduces the selection bias that a conventional narrative review would risk.

Search Strategy and Source Identification

Table 1:

Table 1
presents the search strategy matrix used to identify relevant sources.

Database / Repository	Sample Search Strings	Records Retrieved
Scopus	"dollar weaponization"; "financial sanctions"	54
Web of Science	"weaponized interdependence"; "geoeconomic fragmentation"	41
JSTOR / ScienceDirect	"de-dollarization"; "reserve currency diversification"	38
SSRN / Springer	"SWIFT sanctions"; "renminbi internationalisation"	29
Taylor & Francis / Wiley	"financial statecraft"; "structural power"	31
Google Scholar	Combined search strings	21

Source: Authors' compilation (2026).

Electronic searches were conducted between July and August 2026 across Scopus, Web of Science, JSTOR, ScienceDirect, SSRN, Springer, Taylor and Francis, Wiley and Google Scholar, supplemented by institutional repositories maintained by the International Monetary Fund, the Bank for International Settlements and the Federal Reserve System. Search strings combined variants of "dollar weaponization", "financial sanctions", "weaponized interdependence", "de-dollarization", "SWIFT sanctions", "geoeconomic fragmentation", "reserve currency diversification" and "renminbi internationalisation". The initial search produced approximately 214 records.

Inclusion and Exclusion Criteria

Only sources published between 2021 and 2026 were retained, in order to capture scholarship produced after the intensification of sanctions against Russia and the acceleration of de-dollarization initiatives, alongside a small number of foundational theoretical works published earlier. Sources were included where they:

- examined financial sanctions, monetary power, currency internationalisation or geoeconomic fragmentation;
- originated from peer-reviewed journals, university presses or recognised international institutions;
- provided conceptual, empirical or historical evidence relevant to the study's two objectives.

Sources were excluded where they:

- addressed sanctions unrelated to the international monetary system;
- lacked methodological or argumentative transparency;
- were duplicated across databases.

Source Screening Process

The review followed the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA 2020) framework to structure the screening process (Page et al., 2021). Table 2 summarises the resulting selection process, which reduced the initial 214 records to 49 sources retained for full analysis.

Table 2

PRISMA Stage	Number of Records
Records identified through database searching	214
Records after duplicates removed	161
Records screened by title and abstract	161
Records excluded at screening	88
Full-text articles assessed for eligibility	73
Full-text articles excluded, with reasons	37
Sources included in final synthesis	49

Source: Authors' compilation (2026), adapted from the PRISMA 2020 framework (Page et al., 2021).

Data Analysis Procedure

The retained literature was analysed using qualitative thematic content analysis. Recurring patterns were coded manually and organised around five themes: the architecture of dollar dominance, the mechanics

of financial coercion, empirical instances of sanctions deployment, de-dollarization responses, and the fragmentation of global economic governance. These themes were interpreted through the complementary lenses of structural realism and weaponized interdependence, the first explaining why dominant states convert monetary capability into coercive leverage, and the second explaining the specific network mechanisms through which that conversion occurs.

Quality Assurance and Credibility Assessment

Methodological triangulation was employed by comparing evidence across peer-reviewed journal articles, university press monographs and a small number of institutional publications, with clear preference given to peer-reviewed sources throughout. Cross-validation of recurring claims across independent sources reduced the likelihood that any single author's interpretation would dominate the analysis.

Limitations

The study is limited by its reliance on secondary literature and therefore depends on the quality and currency of existing scholarship. Because dollar weaponization and de-dollarization remain active, evolving processes, some conclusions drawn here may require revision as new sanctions episodes and policy responses unfold. The systematic review approach nonetheless provides a transparent and replicable basis for synthesising the available evidence.

5. Findings and Discussion

5.1 Mechanisms of Geopolitical Coercion

The literature reviewed above identifies three major mechanisms through which the structural dominance of the dollar is translated into coercive power. The first mechanism is exclusion from international payment systems, particularly through restrictions on access to SWIFT. The exclusion of major Russian banks from SWIFT in 2022 provides a clear example of how control over critical financial infrastructure can be used to impose economic pressure on targeted states (Tooze, 2021). In line with the theoretical underpinnings of both structural realism and weaponized interdependence, this development supports the argument of Newman & Zhang (2024) that states controlling strategically important positions within international networks can exercise considerable coercive power over actors that depend on those networks. Given the central position of SWIFT in global financial transactions, its disruption creates significant difficulties for states attempting to maintain international payments through alternative arrangements. The second mechanism is the freezing of sovereign assets held within the jurisdictions of the United States and its allies. According to Tooze (2021), the scale and speed with which Russian sovereign assets were immobilised represented an unprecedented development in the use of financial sanctions. The third mechanism involves secondary sanctions, through which pressure is extended to financial institutions in third countries. These institutions may face restrictions on their access to the dollar system if they continue to provide financial services to

sanctioned actors (Newman & Zhang, 2024). Guillaume and Madison (2024) argue that this extraterritorial dimension represents an important difference between contemporary financial sanctions and earlier forms of economic embargo, as enforcement increasingly operates through private financial institutions and their dependence on the dollar-based financial system.

The effectiveness of these coercive mechanisms, however, is influenced by the degree of international cooperation supporting their implementation. Drezner (2021) argues that unilateral sanctions are generally less effective because targeted states have greater opportunities to develop alternative channels for international transactions and reduce their exposure to the sanctioning state. McDowell (2023) further observes that coordinated financial sanctions may generate unintended political consequences by encouraging states to reduce their dependence on the dollar and seek alternative reserve assets and payment arrangements. This suggests that the coercive use of dollar dominance may simultaneously strengthen the short-term capacity of the United States to impose economic costs while creating incentives for other states to diversify away from the dollar-based financial system.

Evidence from specific cases provides further support for these mechanisms, although their effects vary considerably across targeted states. Sharaf et al. (2026) argues that Russia's alternative financial messaging system has captured only a relatively small proportion of the transactions previously facilitated through SWIFT. This indicates that exclusion from dominant financial infrastructure continues to impose substantial costs despite the development of alternative mechanisms. Similarly, Caetano et al. (2023) find that sanctions imposed on Iran and Venezuela achieved their intended objectives in only a minority of the cases examined. Aggarwal and Reddie (2024) explain this limited effectiveness by arguing that targeted governments may transfer the economic costs of sanctions to domestic populations rather than altering their foreign or domestic policies. These findings indicate that the economic impact of sanctions does not necessarily translate into political compliance.

The same pattern can be observed beyond the financial sector. Guillaume and Madison (2024) argue that semiconductor export controls directed at China operate through a similar mechanism of network dependence, whereby restrictions imposed by states occupying central positions within global technological networks can constrain the capabilities of targeted states. However, Shrivastava and Jash (2025) find that such restrictions have also encouraged China to increase investment in domestic semiconductor production. This finding suggests that coercive measures may produce adaptive responses that reduce the long-term dependence of targeted states on dominant international networks, in line with the study's theoretical leaning. Kirshner (2022) situates this response within a broader historical pattern in which economic coercion encourages targeted states to develop alternative institutions, technologies, and economic relationships. Consequently, while the structural centrality of the dollar provides the United States and its allies with significant coercive leverage, the long-term effectiveness of this leverage depends on the ability to prevent targeted and vulnerable states from developing viable alternatives to the existing financial order.

5.2 BRICS' Response to Dollar Weaponization and the Pursuit of Financial Autonomy

BRICS' response to the strategic use of the US dollar has centred on reducing dependence on dollar-based financial intermediation rather than pursuing the immediate replacement of the dollar with a common BRICS currency (Ayodele, 2025). The distinction is important because its initiatives target several components of the international monetary system, including trade settlement, payment infrastructure, development finance, reserve management and emergency liquidity. Liu and Papa (2022) characterise this process as a form of collective financial statecraft through which BRICS members seek greater room for manoeuvre within a dollar-centred system. Arnold (2025) similarly links BRICS' de-dollarisation agenda to concerns over financial sovereignty and exposure to US sanctions. At the same time, the persistence of the dollar in global trade and finance means that BRICS' strategy is better understood as financial diversification and autonomy than wholesale monetary substitution (Hofman, 2024).

One of the principal measures has been the promotion of local-currency settlement in intra-BRICS trade and investment (Johnston, 2025). The objective is to reduce the need for transactions between member states to pass through the US dollar, particularly where neither trading partner has an economic relationship with the United States. Arnold (2025) identifies local-currency invoicing and settlement as central components of the BRICS de-dollarisation agenda. Liu and Papa (2022) argue that the use of national currencies can reduce exposure to exchange-rate movements associated with the dollar and lessen dependence on US-controlled financial channels. China's expansion of renminbi settlement with Russia and other trading partners provides one of the clearest examples of this strategy (Quintana, 2025). Lyu (2026) notes that following the 2022 sanctions against Russia for its invasion of Ukraine, Russia rapidly shifted its trade settlement away from the dollar and euro toward the Russian Ruble and Chinese renminbi. By 2024, Russian officials reported that around 95% of Russia-China trade was being settled in Rubles and Yuan (Lyu, 2026).

Currency-swap arrangements have also created mechanisms through which selected members can obtain partner currencies without first acquiring dollars in international markets (Quintana, 2025). The approach has gained further political support as sanctions have increased the perceived risks associated with dollar-denominated transactions (Johnston, 2025). Lyu (2026) further notes that after the expansion of Western sanctions against Russia in 2022, access to dollars and euros became significantly more difficult for Russian banks and firms. Russia consequently increased its reliance on the Chinese yuan for trade, financial transactions and domestic liquidity management. The Bank of Russia began conducting yuan-ruble swap operations in January 2023, providing Russian financial institutions with access to yuan liquidity. Deng and Xie (2026) admit that the Russian central bank swapped 59.7 billion yuan through these operations in 2023 and increased the capacity of its swap operations in 2024 as demand for yuan liquidity grew. The outcome was a major shift in bilateral settlement. Arnold (2025) reports that the share of Russia's trade with BRICS countries settled in local

currencies increased sharply after 2022 and that yuan-ruble transactions accounted for a very large proportion of Sino-Russian trade. BRICS therefore seeks to reduce the dollar's role as an intermediary currency without possessing the institutional conditions required for its rapid displacement (Quintana, 2025).

BRICS' response also extends to cross-border payment infrastructure, where the objective is to reduce dependence on financial networks vulnerable to external political control. The central concern arises from the strategic importance of payment messaging and clearing systems, particularly after the exclusion of Russian banks from SWIFT following the invasion of Ukraine (Connolly, Chen, & Yao, 2026). Russia's System for Transfer of Financial Messages and China's Cross-Border Interbank Payment System provide national alternatives, although neither currently possesses the global reach of SWIFT (Johnston, 2025). BRICS has therefore pursued interoperability among national payment systems rather than relying exclusively on the creation of a single replacement network (Quintana, 2025). The proposed BRICS Cross-Border Payments Initiative seeks to facilitate transactions in national currencies and improve the efficiency of cross-border payments (Tan, 2025). Discussions surrounding BRICS Pay and BRICS Clear extend this agenda towards payment and settlement infrastructure capable of supporting transactions outside traditional Western financial channels (Johnston, 2025). Lyu (2026) argues that such initiatives have gained greater relevance as geopolitical tensions have exposed the political vulnerability of globally interconnected payment systems. Their significance lies less in an immediate replacement of SWIFT than in the creation of additional channels through which BRICS members can conduct transactions with reduced exposure to US financial jurisdiction.

Furthermore, the New Development Bank (NDB) constitutes the institutional financing pillar of this strategy. Established in 2014, the NDB provides development finance outside the traditional World Bank-led system and has expanded its capacity to raise funds in different currencies (Chin, 2024). Local-currency financing is particularly significant because it allows borrowers to finance projects whose revenues are generated domestically without assuming equivalent dollar liabilities (Zucker-Marques, 2025). The NDB has set a target of increasing the proportion of its financing denominated in members' national currencies, thereby strengthening domestic financial markets while reducing foreign-exchange exposure (Connolly, Chen & Yao, 2026). Hofman (2024) notes that much of the NDB's market financing has been raised outside US capital markets, giving the institution some insulation from Western financial pressures. Popov (2023) further argues that NDB-issued instruments could provide alternative reserve assets for countries concerned about the vulnerability of foreign reserves to sanctions. The NDB nevertheless remains embedded within global capital markets and continues to rely on international credit ratings and access to major financial markets, limiting the extent of its autonomy (Ayodele, 2025). Its significance therefore lies in expanding the range of financing options available to BRICS members rather than eliminating their dependence on the existing financial order (Chin, 2024).

A further component is the BRICS financial safety net, particularly the Contingent Reserve Arrangement (CRA) and initiatives aimed at strengthening interbank cooperation and reserve diversification. The CRA was created to provide liquidity during balance-of-payments pressures and thereby give BRICS members

an additional source of emergency support alongside the IMF (Johnston, 2025). Its existence provides an institutional mechanism through which members can pool financial resources rather than relying exclusively on Western-led crisis-management institutions (Ayodele, 2025). BRICS states have also pursued greater diversification of reserves, including increased attention to gold and non-dollar assets, partly in response to the freezing of Russian foreign-exchange reserves (Quintana, 2025). Such diversification reduces concentration in dollar-denominated assets and limits exposure to jurisdictions capable of imposing financial restrictions (Arnold, 2025). Nevertheless, the CRA remains constrained by its design and its continuing relationship with the existing international monetary system (Ayodele, 2025). Consequently, BRICS' financial response should not be interpreted as the emergence of a fully autonomous monetary bloc. Rather, BRICS is constructing a set of alternative channels for trade, payments, financing, liquidity and reserve management that can reduce reliance on the dollar while preserving access to the existing system. This gradual accumulation of parallel capacities is central to understanding how dollar weaponization can contribute to the fragmentation of the global political economy (Arnold, 2025; Johnston, 2025; Popov, 2023).

5.3 De-dollarization and the Fragmentation of Global Governance

Evidence relevant to the second objective points toward a gradual but measurable diffusion of monetary power away from the dollar. Zucker-Marques (2025) documents the institutional expansion of renminbi settlement infrastructure, while Connolly et al. (2026) find that central bank gold purchases have risen in tandem with growing unease about the political risk attached to dollar-denominated reserves. Abdullahi et al. (2024) interpret this pattern as a rational hedge against future exposure rather than as evidence of any coordinated anti-dollar coalition, a distinction that Richard (2023) considers important for understanding why de-dollarization has proceeded unevenly across the BRICS grouping. Prasad (2021) remains cautious about the pace of this shift, noting that no existing alternative currency combines the liquidity, legal certainty and market depth that continue to anchor dollar demand. Aggarwal and Reddie (2024) support this caution with historical evidence that reserve currency transitions have historically taken decades rather than years. Shrivastava and Jash (2025) offer a structural explanation for this persistence, arguing that the same network centrality that makes the dollar vulnerable to weaponization also makes it difficult for any single rival currency to displace, since network effects favour incumbency over efficiency.

At the level of global governance, the consequences of dollar weaponization extend well beyond currency choice. Aiyar et al. (2023) find that geopolitical alignment now shapes trade and investment patterns in ways that efficiency-based models fail to predict, a conclusion the IMF (2023) reaches independently in its assessment of foreign direct investment flows. Alsdan et al. (2025) extend this finding to portfolio capital, showing that elevated geopolitical risk raises borrowing costs even for states with no direct role in ongoing sanctions disputes. Freuler (2023) situates this financial fragmentation alongside an earlier and continuing fragmentation of digital infrastructure, arguing that both processes share a common root in the securitisation of previously technical, apolitical systems. Tan (2025)

describes the cumulative effect as a decoupling dilemma, in which the very institutions built to manage global economic interdependence are weakened by the states that once relied on them most. Woods (2025) concludes that China's policy response illustrates a wider pattern among targeted and potentially targeted states, of building parallel institutions rather than attempting to reform existing ones from within. Farrell and Newman (2023) describe this outcome as an unintended consequence of the very centralisation that made weaponized interdependence possible in the first place, since a network built for efficiency is not automatically resilient to the states it excludes.

These findings are consistent with the expectations of structural realism rather than a departure from them. Waltz (1979) predicts that states disadvantaged by a given distribution of capabilities will eventually balance against it, and the gradual reserve diversification documented by Connolly et al. (2026) is one visible form that balancing behaviour has taken. Strange (1988) would add that this balancing is necessarily slow, since structural power of the kind the dollar confers is embedded in institutions and habits that cannot be substituted quickly. Kirshner (2022) frames the resulting picture as one of managed decline rather than sudden collapse, a characterisation that Gopinath and Stein (2021) support with evidence that dollar invoicing remains resilient even as reserve diversification proceeds. McDowell (2023) and Drezner (2024) both conclude that the United States faces a genuine trade-off between the short-term coercive value of financial sanctions and the long-term durability of the monetary order those sanctions depend upon, a trade-off this study's two objectives were designed to trace.

6. Conclusion and Recommendations

This paper examined dollar weaponization and its effects on the global political economy using structural realism, Strange's (1988) concept of structural power, and Farrell and Newman's (2019) theory of weaponized interdependence. The study found that the United States uses the dollar's central position to exercise economic power through exclusion from payment systems, freezing sovereign assets, and imposing secondary sanctions. It also found that the repeated use of these measures has encouraged countries to reduce their dependence on the dollar through renminbi internationalisation, increased gold reserves, and greater use of local currencies within BRICS. These findings suggest that dollar weaponization may be contributing to the fragmentation of the global economic order rather than strengthening US financial dominance.

This study contributes to the literature by reconceptualising BRICS' de-dollarization efforts as a pursuit of functional financial autonomy rather than an immediate attempt to replace the US dollar. It explains how the use of the dollar as a tool of economic pressure has encouraged BRICS countries to develop new financial arrangements and institutions. The study examines this process through local-currency trade, currency-swap arrangements, alternative payment systems, reserve diversification, and BRICS financial institutions. It also distinguishes between replacing the dollar, reducing dependence on it, and achieving genuine financial independence. The study finds that BRICS has not yet created a complete alternative to the dollar-based financial system. Instead, its efforts are gradually spreading monetary,

payment, liquidity, and financing functions across different currencies and institutions. The study therefore argues that dollar weaponization may not immediately end dollar dominance, but could gradually contribute to the fragmentation of the global financial system.

Based on these, the study recommends that first, policymakers in Washington should weigh the short-term coercive value of new sanctions episodes against their cumulative contribution to de-dollarization, since each additional episode appears to reinforce the hedging behaviour that erodes dollar centrality over time. Second, states seeking to reduce their exposure to dollar-based coercion should pursue diversification gradually and through multiple channels, including reserve composition, settlement infrastructure and regional financial arrangements, since no single alternative currently offers comparable liquidity. Third, future research should track this diffusion empirically as new data on reserve composition, payment volumes and swap line utilisation become available, since the evidence reviewed here draws substantially on the period following the 2022 sanctions against Russia. Multilateral institutions would benefit from developing governance arrangements resilient to a genuinely multipolar monetary system, rather than ones that assume the continuation of dollar centrality by default.

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Conflict of Interest

The authors declare that they have no conflict of interest concerning the research, authorship or publication of this article.

Data Availability Statement

The data supporting the findings of this study are available from the corresponding author upon reasonable request.

Ethics approval statement

Not applicable.

Author Contribution

G.U. initiated and carried out the research, including providing supervision in the manuscript writing process. O.B. prepared the manuscript text. C.E. made extra contributions to the research findings.

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