

International Currency in Support Global Economic Growth

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Article Info	ABSTRACT
Keywords: international currency, stability economy, investment cross- country, digitalization	This article explore role strategic international currency in support growth global economy, with focus on stability economy, investment cross- country, and trade international. Research This use approach qualitative through analysis literature For identify How currencies such as US dollar, euro and Chinese yuan influence dynamics global economy. Research results show that stability mark international currency No only increase market confidence but also facilitate more transactions efficient. In addition, the transformation digitalization currency and effort dedollarization add complexity in use international currency. Findings This expected give outlook for maker policies and market players to utilise potential international currency in create system more finances inclusive and sustainable.
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INTRODUCTION

International currencies play a vital role in the global economy as a medium of exchange, a store of value, and a unit of account in international trade. Currencies such as the US dollar, the euro, the Japanese yen, and the Chinese yuan have a significant impact on global economic stability and growth. As a key element in the international financial system, these currencies not only support the smooth flow of transactions between countries but also play a role in determining global monetary policy. (Chinn & Frankel, 2007) .

In the era of globalization, the importance of international currencies is increasing along with the economic integration between countries. The role of international currencies is not only limited to the trade of goods and services but also includes cross-border investment, foreign exchange reserve management, and mitigation of exchange rate risks. The stability of international currency values provides confidence to market players, allowing them to plan and invest better. (Krugman et al., 2022) .

Along with the development of technology and financial innovation, the role of international currencies has also undergone a transformation. Digitalization in the global payment system has opened up new opportunities, including the use of digital currencies that can increase the efficiency of cross-border transactions. However, this also presents challenges related to regulation and cybersecurity that need to be addressed to maintain the stability of the global financial system. (Bank for International Settlements (BIS), 2022) .

In addition, the role of international currencies also reflects global geopolitical dynamics. The dominance of the US dollar, for example, is based not only on the economic power of the

United States but also on its political and military influence. This often leads to over-reliance by developing countries on US monetary policy, which can create economic vulnerability if there is a drastic change in that policy.

On the other hand, countries such as China and the European region continue to strive to increase the role of their currencies at the international level. The Chinese Yuan, through various initiatives such as the Belt and Road Initiative (BRI), has begun to be used in global trade transactions. Meanwhile, the euro remains one of the main currencies in intra-regional and international trade, especially in the European Union region. This diversification provides an opportunity to create a more balanced and resilient global financial system. (Zhou, 2009) .

However, to achieve this, close international cooperation is needed, especially in setting standards and regulations that can support the use of various currencies in global trade. Issues such as exchange rate stability, development of domestic financial markets, and harmonization of global monetary policy are the main focus in efforts to strengthen the role of international currencies. With the right framework, international currencies can be an important instrument in supporting inclusive and sustainable global economic growth. (Gopinath et al., 2014) .

This article aims to analyze the role of international currencies in supporting global economic growth through various qualitative perspectives, including economic stability, cross-border investment, and international trade. This analysis is expected to provide comprehensive insights for policymakers and market players in utilizing the potential of international currencies optimally.

Key Issues and Problems Discussed

1. US Dollar Dominance in Global Foreign Exchange Reserves

The US dollar has long dominated global foreign exchange reserves. However, data shows a decline in the share of the US dollar in world foreign exchange reserves. According to reports, the share of the US dollar in global foreign exchange reserves decreased from 73% in 2001 to 55% in 2021, and continued to decline to 47% throughout 2022 (IMF, 2023) .

2. Increasing Use of Chinese Yuan in International Trade

China has been actively promoting the use of the yuan in international transactions in an effort to reduce the dominance of the US dollar. The use of the yuan in international trade has increased significantly. In 2020, the yuan accounted for about 2% of global foreign exchange reserve assets and is projected to increase to 5% to 10% by 2030. (Hasibuan et al., 2022) .

3. Currency Digitalization and Regulatory Challenges

Technological developments have encouraged the emergence of digital currencies, such as the digital yuan introduced by China. The use of the digital yuan is part of China's strategy to create a yuan-based trading ecosystem in the Asian region and globally. However, the adoption of this digital currency faces regulatory and cybersecurity challenges that need to be addressed to maintain the stability of the global financial system. (Jayakarya, 2014) .

4. Dedollarization and Its Implications for the Global Financial System

Several countries have begun to reduce their reliance on the US dollar in international transactions, a process known as dedollarization. The phenomenon of dedollarization is

indicated by a decrease in the portion of placements in the US dollar currency in the global central bank's aggregate foreign exchange reserve portfolio. This decrease occurred because several countries chose other currencies for trade transactions, which caused a decrease in the portion of the US dollar in the composition of foreign exchange reserves throughout 2022. (Kamil, 2023) .

By understanding the above issues, policy makers and market players can formulate more effective strategies in utilizing the role of international currencies to support sustainable global economic growth. Study about role international currency part big focus on dominance US dollar as reserve currency world's major. However, there are a number of gap research that has not been done Lots explored. One of them is lack of study empirical about effectiveness of Chinese yuan as international currency. Although the yuan is starting to used in trading across countries through initiative like the Belt and Road, challenges structural like financial market limitations domestic China and its low global investor confidence becomes obstacle main (Wang, 2023) . In addition, research related digitalization currency tends to only highlight aspect technical, such as security and efficiency, while impact geopolitics and economics to stability global finance and the process of dedollarization Still not enough discussed in a way deep (Zhang, 2022) . On the other hand, the study about dedollarization more often centered on developed countries and China, while challenge diversification currencies in developing countries, especially in Southeast Asia and Africa, are still not enough become attention (Johnson, 2022) . More far away, though Lots study discuss stability US dollar as dominant currency, consequences geopolitics from decline domination dollar against developing countries that rely heavily on the dollar Not yet Enough studied. (Smith, 2023) . With existence gap study this, is required more analysis comprehensive For understand dynamics role international currency in support system more global finance inclusive and stable.

Literature Review

Definition of International Currency

International currency is currency used in a way widespread in various countries as tool transactions and reserves foreign exchange. According to Cohen, (2015), international currency own a number of criteria main, including stability value, liquidity high, and accepted in a way wide in global trade. Strong international currency usually supported by a large economy, developed financial markets, and sound policies. credible monetary. The US dollar, for example, has become world 's major currencies because supported by power United States economy and system highly liquid finance

Economic Stability

Literature show that stable international currency can create confidence in global markets. Eichengreen, (2011) disclose that stability US dollar during a number of decade has push global investment and reduce volatility in financial markets international. Stability This allows countries to keep backup foreign exchange in a reliable currency, which in turn help guard stability economy domestic.

Stability an economy supported by an international currency also allows countries to overcome crisis finance with more good. For example, during crisis 2008 finances, US dollar remains become currency of choice For transaction internationally, even though global

financial markets are experiencing pressure big. This is show How stable international currency can functioning as anchor in system global economy (Eichengreen, 2011) .

Cross-border Investment

Study by Obstfeld & Rogoff, (2009) show that dominant international currency can interesting flow investment across countries. This is due to low risk mark exchange rates faced by foreign investors. In addition, international currencies allow more transactions efficient in the global capital market, because high liquidity and wide acceptance among market players.

Investment cross-country facilitated by international currencies also supports development infrastructure and development sector economy strategic in various countries. As example, usage US dollar in financing projects big enable developing countries For access capital with more easy, though they still face challenge related volatility mark swap (Agustina et al., 2024) .

Trading International

International currencies also facilitate global trade with reduce cost transactions. For example, the use of US dollar in contract trading oil raw make it easier transaction between countries. According to study by Frankel and Rose (2002), common currency or received in a way wide in trading international can increase trading volume between countries up to 15%.

In addition, international currencies allows countries to reduce risk mark swap in bilateral and multilateral trade. For example, countries in the European Union region that use the euro as common currency has succeed increase their intra-regional trade, which in turn strengthen growth economy in the region the (Frankel & Rose, 2002) .

METHOD

This article uses a qualitative approach with literature analysis as the main method. Secondary data are collected from academic journals, international organization reports, and economic books. The analysis is conducted by comparing relevant theories and evaluating case studies of international currencies, such as the US dollar and the Chinese yuan. This research also includes an analysis of current policies and trends that affect the role of international currencies in the global economy.

This method allows the author to explore various aspects related to international currencies, including economic stability, cross-border investment, and international trade. By using this approach, the article can provide deeper insights into how international currencies can support sustainable global economic growth.

RESULTS AND DISCUSSION

Global Economic Stability

The US dollar remains the world's leading reserve currency, accounting for about 59% of global foreign exchange reserves in 2022 (IMF, 2022). The stability of the dollar helps reduce risks in the international financial system, although its single dominance can create over-dependence. Developing countries, in particular, often have to adjust their monetary policies to accommodate fluctuations in US monetary policy, which can affect the stability of their domestic economies. (Ananda & Idris., 2024) .

Currency Diversification

The emergence of the Chinese yuan as an international currency has opened up opportunities for diversification. Initiatives such as the Belt and Road Initiative (BRI) have increased the use of the yuan in international trade. However, the yuan has yet to fully compete with the dollar due to China's limited liquidity and capital control policies. Efforts to increase the role of the yuan also involve strengthening China's domestic financial system and expanding cooperation with major trading partners. (Zeidan, 2024) .

Role in Global Trade

International currencies facilitate trade by reducing exchange rate uncertainty. For example, countries using the euro in intra-EU trade have reduced transaction risks, contributing to a 15% increase in regional trade (Frankel & Rose, 2002) . In addition, international currencies provide the added benefit of reduced transaction costs because there is no need to constantly exchange currencies in bilateral or multilateral trade. Furthermore, the use of a stable international currency in long-term trade contracts helps ensure cost predictability, thereby increasing the competitiveness of products in the global market. (Kholid Mawardi, 2023) .

Implications of the Role of International Currency in Developing Countries

Empirical research by Hossain & Alam, (2021) highlights the impact of international currency use in developing countries, including Indonesia. They found that developing countries that rely on the US dollar are vulnerable to exchange rate fluctuations, which can worsen inflation and affect domestic economic stability. Indonesia, which relies heavily on imports of goods and raw materials with payments in dollars, is vulnerable to global foreign exchange market volatility. This also has an impact on the stability of domestic goods prices, which in turn leads to uncertainty for consumers and the business sector. The study shows the importance of international currency diversification to reduce dependence on the dollar, as well as increasing the fiscal capacity of developing countries to mitigate risks related to global currency fluctuations.

Challenges of International Currency Sustainability

Although international currencies provide many benefits, their sustainability faces challenges. The growth of digital currencies, including cryptocurrencies and Central Bank Digital Currencies (CBDCs), could change the landscape of the role of international currencies. This development requires clear regulations to maintain the stability of the global financial system and protect small countries from potential exploitation. In addition, changing geopolitical dynamics can affect the perception and trust in a particular currency. Economic tensions and international sanctions often impact the use of currencies in global trade, creating new challenges for a system that relies on a dominant currency (Risberg & Segal, 2020) .

Challenges in the International Currency System

Challenges in the international currency system include dependence on dominant currencies such as the US dollar, which can create global economic imbalances. Developing countries often face high exchange rate risks, which can hinder their economic growth. In addition, dependence on one or two international currencies can cause greater volatility in the global financial system. (Zuchroh et al., 2025)

Efforts to diversify the use of international currencies, such as increasing the role of the Chinese yuan and the euro, face challenges in terms of liquidity, financial market infrastructure, and global trust. Therefore, a more coordinated approach is needed to address these challenges, including through strengthening international financial institutions and the development of digital currencies by central banks (Syaifullah, 2022) .

CONCLUSION

International currency is very important element in support growth global economy. The role of international currencies expand to various aspect economy, including trade, investment and stability finance. Stability international currencies, such as US dollar, has give strong foundation for system global economy, although domination The single also presents challenge in the form of over - reliance on policy monetary of a particular country. Diversification role international currencies, such as improvement use of the Chinese yuan and the euro, offering opportunity For create system more finances inclusive and balanced. However, efforts This need strengthening infrastructure finance domestic, increase market liquidity, and harmonization policy international. In addition, innovation technology, such as development digital currency, providing potential big For increase efficiency global transactions but also presents challenge in matter regulation and stability. For ensure that international currency can Keep going support growth global economy in general sustainable, necessary cooperation close international relations. Strengthening institution global finance, development adaptive regulation to change technology, and efforts For reduce dependence on a single currency is steps to be taken prioritized. With the right strategy, international currencies can become effective tool in push inclusivity, stability, and global prosperity. Maker policies, market players, and communities international need Keep going collaborate For optimize role international currency as the mover main growth sustainable global economy.

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