

# The US Dollar Hegemony Crisis in the Vision of the "One belt and one road" and China's Strategic Choices

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**Abstract:** At this stage, the US dollar is still the most important international currency in the world and plays a leading role in international trade. However, with the continuous development of the times, the problems existing in the hegemony of the US dollar are gradually exposed, which greatly hinders the development of the world economy. There are congenital defects in the development of the US dollar, which also makes the world economy fall into crisis again and again. With the development of the world economy, the world pattern is quietly changing, the basis of the dollar hegemony is constantly weakening, and a new international financial order is gradually taking shape, which is of great help to the development of the world economy. As an important country in the world, China should grasp the trend of the times, seek new historical opportunities with the help of the "One belt and one road", explore a new international financial order, and gradually break the hegemony of the US dollar.

**Keywords:** "One belt and one road", US Dollar Hegemony, Crisis, Strategy.

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## 1. Introduction

Since the end of World War II, the hegemony of the US dollar has played an important role in the realization of global hegemony by the United States. Through the US dollar, the United States can better control the global economy. At this stage, the United States dollar still occupies a dominant position in international trade, which also makes the United States obtain huge benefits in international trade. However, with the continuous development of the global economy, the hegemony of the dollar has damaged the economic interests of many countries, which has also caused a crisis of trust in the world against the dollar, and the hegemony of the dollar has fallen into a deep crisis. Against this background, China should gradually expand its financial cooperation with the international community with the help of the One belt and one road, so as to help the international community establish a new national financial order.

## 2. The US Dollar Hegemony Crisis in The Vision of the "One Belt and One Road"

After the end of World War II, the United States became the only superpower in the world by virtue of its economic, military and political strength, which also made the position of the dollar in international trade very prominent, and gradually formed the Bretton Woods system based on the dollar. With the support of this system, the hegemony of the US dollar has gradually taken shape. With the continuous development of the global economy, the US dollar has become a real credit currency, no longer linked to gold. However, the hegemony of the US dollar is not perfect. It has inherent defects, which will gradually emerge with the development of the world economy, so that the hegemony of the US dollar is in a deep crisis.

### 2.1. Deficiency of Real Wealth

As a credit currency, the dollar needs to realize its currency functions, such as value scale, storage, payment, etc. Credit

currency is gradually formed in the process of market transactions, and it needs to match the value of commodities produced and circulated. If credit currency cannot match the value of commodities, then there will be a serious crisis of credit currency. However, as the world currency, the US dollar should be able to reflect the function of general equivalents. However, the wealth that the United States can create cannot support the credit base that it must have as the world currency. With the gradual financialization of the American industry, the wealth of goods manufactured by the United States has gradually decreased, which further aggravates the emergence of the dollar trust crisis. At this stage, the proportion of the US real industry in the US GDP is declining, making the US economy a serious hollow manufacturing industry, which also makes the US lose its position as the largest manufacturing country. Due to the continuous decline of American manufacturing industry, the United States is unable to provide wealth that matches the amount of dollars, which also greatly shakes the credit base of the dollar as the world currency, deepens the credit crisis of the dollar, and increases the risk of American dishonesty.

### 2.2. Excessive Currency Issuance

As a world currency, the US dollar also plays an important role in maintaining and increasing the value of capital. However, in order to deal with domestic economic problems, the US government has repeatedly issued excessive currency, which further weakens the ability of the US dollar to maintain and increase its value, which further highlights the problem of the US dollar. Since the US dollar entered the era of floating exchange rate system based on the US dollar, a series of problems have arisen, which will further weaken the US dollar credit system. At this stage, due to the continuous growth of international trade, the demand for US dollars in various countries has further increased, which has also prompted the United States to continuously increase the circulation of currency, which has further increased the risk of US dollar devaluation, causing countries around the world to pay for the US currency, thus causing a crisis of confidence in the US dollar. At the same time, because the capitalist

economic crisis has obvious periodicity, the United States, in response to the economic crisis, will pass on its own risks by increasing its currency, plunder the world's wealth, devalue the foreign exchange reserves of various countries, and cause a large amount of capital to flow to the United States. Although the large amount of money issued by the United States alleviates the domestic crisis, it will pass on the inflation risk to the world, which will lead to the rise of a large number of commodity prices, bring huge risks to the economies of many countries, and thus trigger a crisis of confidence in the United States dollar. With the financialization of American industry, American manufacturing industry has further shrunk. Due to the gradual strength of American financial capital, the manufacturing industry has gradually declined, further making the American society more financialized and hollow, making a lot of wealth occupied by financial oligarchs, intensifying the gap between the rich and the poor in the American society, increasing the contradictions in the American society, which also makes the development of the United States unstable, intensifying the concern of the world about the dollar, and thus making the hegemony of the dollar in crisis.

### **2.3. It Has A Negative Effect on The World Economy**

At the beginning of the end of World War II, the US dollar, as the world currency, greatly promoted the reconstruction and development of the world economy. However, with the continuous development of modern economy, the negative impact of the dollar on the world economy is growing. The United States has always pursued a self centered zero sum thinking mode, which also makes this mode full of crisis. In order to ensure its international trade and economy, countries other than the United States must purchase a large amount of US debt. The United States plunders the wealth of other countries in this way, and guarantees its technological, economic and military advantages, so as to better maintain its hegemony over the US dollar. Through the dollar system, the United States can easily plunder the wealth of countries around the world, which also accelerated the emergence of the economic crisis. Under the current dollar system, the United States abused its financial privileges, making the world commodity price system unstable, which also caused serious problems in the allocation of resources, which seriously affected the continuous economic development of countries. The United States has obtained the pricing power of bulk commodities through the hegemony of the dollar, which has also enabled the United States to obtain a large number of commodities and wealth through the dollar, greatly alleviating the problems of the United States itself. The United States also maintained the hegemony of the US dollar through war, which further deepened the crisis of trust in the US dollar.

## **3. China's strategic choice under the vision of the "One belt and one road"**

### **3.1. Provide China with A New Development Platform Through the One Belt and One Road**

As the hegemony of the US dollar has fallen into a serious crisis, it has also brought opportunities and challenges to the

establishment of the new international financial order. China should seize the historic opportunity to give full play to the important role of RMB in the international financial system, so as to make China a financial power. At present, China has become the world's largest industrial country, which has a great role in promoting the development of the world economy. In recent years, China has adhered to the strategy of reform and opening up, and provided high-quality and inexpensive goods to Western countries. At the same time, China is also willing to accept investment from Western countries, and develop the world's largest and most potential market for Western enterprises. This is of great help to alleviate the internal problems of Western countries. However, for China, the international financial system led by the US dollar is extremely unfair. Under the restriction of this system, developing countries such as China have become the targets of Western developed countries, and a large amount of wealth has been plundered by Western countries, which is extremely detrimental to China's development. In order to solve its own problems, the United States has issued excessive currency, causing sharp fluctuations in the prices of international commodities, which also caused China to suffer huge losses. At this stage, China has surpassed a number of Western countries to become the second largest economic country in the world, occupying a pivotal position in the world economy. At present, China's financial assets have been very large, but the position of the RMB in the world is still not high, which is very unfavorable for the further development of China's economy. Therefore, China should take advantage of the dollar hegemony crisis to give full play to its influence and establish a regional financial center, so as to weaken the impact of the dollar on China's economy and promote the internationalization of the RMB. The "One belt and one road" is a new platform for China's economic development. Through this new platform, we can further promote the international position of the RMB and enable it to achieve further internationalization. The most important part of the One belt and one road is financing. Financing can better help China establish a new international monetary system. Through the One belt and one road, we can better realize the internationalization of RMB, enhance the role of RMB in national trade, and further realize the de-dollarization. Making RMB a currency for commodity and labor settlement through the One belt and one road will further enhance the influence of RMB in the region, which will greatly help the internationalization of RMB and break the hegemony of the US dollar. Through the One belt and one road platform, the internationalization of RMB can be further promoted. As the RMB is backed by a strong real economy, it is bound to be favored by more countries.

### **3.2. In the Process of Promoting the Development Of RMB, We Should Avoid the Existing Risks as Much as Possible**

Since the implementation of the "One belt and one road" Initiative, the total trade volume between China and countries along the One belt and one road has been increasing, including the proportion of trade settled in RMB. In this process, many countries also use RMB as a reserve currency, including Russia, Cambodia and other countries. At this stage, through the continuous promotion of the "One belt and one road" initiative, the influence of RMB has been significantly enhanced in countries along the One belt and one road, which also enables RMB to become a regional currency. Although

the influence of RMB has been enhanced through the "One belt and one road" initiative, it is undeniable that the US dollar still plays a leading role in international trade. Therefore, in the process of promoting the internationalization of RMB, we should be able to maintain steady development, pay attention to the health of the financial system, give full play to the service of the financial system, so that the financial system can serve the real industry to the maximum extent, and avoid the problem of hollowing out of the industry. In the process of promoting the internationalization of RMB, China should adhere to the development concept of the "One belt and one road" and establish a good cooperation model with countries along the route, which requires the establishment of a fair and stable regional currency system in the process of cooperation with countries along the route. The countries along the "One belt and one road" have huge market potential and rich products, which also makes this region the focus of great powers. With the continuous promotion of the "One belt and one road" initiative, China's influence in this region will gradually increase, and the RMB will further develop rapidly. This will have a greater impact on the influence of the United States and the US dollar in this region, which will undoubtedly increase the contradiction between China and the United States, and even let the United States resort to force. Therefore, in the process of development, China should do what it can to avoid excessive expansion and power overdraft, which is very unfavorable for China's rapid development. Before China gains enough strength, it should avoid taking the initiative to challenge the hegemony of the United States, which will lead the country into conflicts and contradictions and seriously hinder the development of the country. In the process of promoting the internationalization of RMB, China should seek a win-win relationship with the local currency, and at the same time, reasonably handle the relationship with the dollar, euro, yen and other world currencies, so as to reduce conflicts with other countries, establish a more harmonious, orderly and fair financial order, and better promote the internationalization of RMB. In the process of China's rise, there will inevitably be conflicts with the United States and other countries, causing strategic anxiety in the United States. China and the United States have a very strong interest relationship. If there are contradictions and conflicts

between the two countries, they will inevitably bring great uncertainty to the development of the world economy. Therefore, China and the United States should avoid conflicts as much as possible and carry out more extensive cooperation, so as to complement each other's interests and strengthen their cooperation. The core of the "One belt and one road" is to establish a community of shared future and strengthen economic cooperation among countries along the One belt and one road, so as to promote the internationalization of the RMB, rather than establishing RMB hegemony in the regions along the One belt and one road. This development model, which is powerful, beneficial, reasonable and economical, is more conducive to the internationalization of RMB.

#### 4. Conclusion

At this stage, the crisis of US dollar hegemony has been fully revealed, which has also led to a crisis of confidence in the US dollar. Therefore, China should make full use of the implementation of the "One belt and one road" initiative to promote economic cooperation among countries along the One belt and one road, promote the internationalization of the RMB, reduce the losses caused to China by the hegemony of the US dollar, and enable the RMB to play a more prominent role in the regional economy, thus promoting China's continuous development and expanding China's influence in the world economy.

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