DAWN DISCUSSION PAPER #57

NAVIGATING THE PERFECT STORM:
MACROECONOMIC VOLATILITY, DECOLONIAL SHIFTS, AND THE RESURGENCE OF THE GLOBAL SOUTH

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GLOBAL SOUTH FEMINIST PERSPECTIVES ON MACROECONOMICS

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DEVELOPMENT ALTERNATIVES
WITH WOMEN FOR A NEW ERA

This paper is part of an international research effort by feminist authors from the Global South.

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ABSTRACT

This paper interrogates the structural underpinnings of global macroeconomic volatility and the accompanying crisis of legitimacy in multilateral governance. These dynamics have manifested through indiscriminate tariffs and the resurgence of a "law of the jungle" approach to global economic relations. The resulting geopolitical fragmentation exposes a deeper rupture in the post–Second World War order. The turbulence unleashed by the Trump era is not an aberration but a catalyst that has laid bare enduring asymmetries in global governance.

Through an integrated analysis of trade disruption, financial instability, and the erosion of multilateral trust, the study situates the present disorder within the longer arc of neoliberalism's exhaustion—a condition which, drawing on Deleuze (1996), marks the exhaustion of its logical possibilities and the chaotic emergence of the new. Traditional frameworks of cooperation—long premised on Northern hegemony and neoliberal orthodoxy—have lost both moral and functional coherence.

For the global South, this crisis is not novel but an acute intensification of long-standing structural vulnerabilities: exchange-rate volatility, unsustainable debt burdens, pervasive inequality, and "climate colonialism". In their wake, actors across the global South are constructing new counter-architectures of finance, trade, and solidarity, seeking to realign legitimacy with justice and reciprocity.

The paper examines how Southern agency both contests and redefines the parameters of global governance. It concludes that volatility is not merely a symptom of systemic crisis but a generative force that opens pathways for transformation. Rebuilding legitimacy, the study contends, requires an epistemic and ethical shift—one that centres care, interdependence, and planetary stewardship as foundations of an Escobarian pluriversal multilateralism – a perspective grounded in Arturo Escobar's (2020) concept of pluriversality where multiple worldviews and ways of life can coexist, as opposed to a single, unipolar world.[1]

CONTENTS

EXECUTIVE SUMMARY

The world economy has entered a period of profound turbulence, marked by geopolitical rivalry, climate shocks, social unrest, and shattered faith in the post–Second World War liberal order. The convergence of the Trump 2.0 administration's aggressive unilateralism, the legacies of colonialism, and the existential climate crisis has brought the world to a critical juncture. This paper situates these disruptions within a broader legitimacy crisis of the global governance system. It argues that recent volatility reflects not merely temporary market swings, but the exhaustion of a paradigm built on asymmetrical power, extractive growth, and selective inclusion.

The analysis begins with the Trump era—a moment that crystallised the return of economic nationalism, threats, and bilateral coercion, exposing the fragility of multilateral institutions. It traces how protectionist policies, trade wars, and financial uncertainty reverberated across the global South—tightening debt pressures, constraining policy space, and intensifying the North–South fault lines that define contemporary governance. The paper also contends that for the global South, this moment of profound crisis is simultaneously one of unprecedented opportunity. The nations of the Global Majority are no longer passive victims of a volatile system; they are its most active architects of change, building a new, multipolar reality from the ground up.

Persistent asymmetries in debt accumulation and resolution, climate finance, and trade have spurred a turn towards global South–led initiatives. These emerging counter-architectures include the African Continental Free Trade Area (AfCFTA), the BRICS financial agenda and New Development Bank (NDB), the Bridgetown Initiative, (BI) and the Community of Latin American and Caribbean States (CELAC). Together, these experiments mark a transition from critique to design: attempts to institutionalise justice and autonomy within a fragmented world.

With traditional Northern leadership absent or complicit, the global South has emerged as the indispensable agent of a just and equitable global future. Its collective action—from debt justice advocacy to the creation of parallel financial networks—signals an irreversible decolonial shift. The central struggle of the coming decades will not be whether the outdated global system changes, but who will control its inevitable transformation. The evidence presented in this paper suggests that the momentum lies with the global South.

KEY FINDINGS

1. The Architecture of Volatility
The global South remains trapped in a vicious cycle of macroeconomic volatility—large and unpredictable fluctuations in key aggregate indicators such as output growth, inflation, exchange rates, interest rates, capital flows, and fiscal balances. This is characterised by a "silent" debt crisis that forces austerity and crowds out public investment, and by "climate colonialism", where market-based solutions such as carbon offsets displace communities and deepen ecological debt. A persistent stranglehold of dollar dependency further exacerbates currency volatility and constrains policy sovereignty.

2. Global South Responses
Reform from Within: Initiatives such as the Bridgetown Initiative challenge the inequities of the global financial architecture but often remain confined within the market-based logic of the "Wall Street Consensus", limiting their transformative potential.

Building Alternatives: More profound shifts are emerging through efforts to reform sovereign debt mechanisms and international taxation. The expansion of BRICS, with its agenda to rebalance global economic power, and the diverse push for dedollarisation through regional and plurilateral mechanisms represent additional pressure points on the system. These are complemented by robust regional integration efforts including AfCFTA, CELAC, and the Shanghai Cooperation Organisation (SCO) that seek to build collective resilience.

3. The Hostile Geopolitical Environment
These economic strategies unfold against a backdrop of securitised competition for critical minerals and a "law of the jungle" geopolitical approach (a return to power politics where "might makes right", and multilateral rules are disregarded) from the North. This hostile environment makes the pursuit of financial and resource sovereignty not merely an economic choice but a fundamental necessity for national security and self-determination.

4. Feminist Economics and Epistemic Reconstruction
Draws on feminist economics to re-centre care, reproduction, and value as foundations for macroeconomic stability. In re-centring care, equity, and plural value, feminist economics illuminates the pathways through which legitimacy might be restored—showing that rebuilding trust in global governance requires not only institutional reform but a reorientation of economic thought itself toward interdependence and planetary wellbeing.

CONCLUSION

The paper concludes that the global order is not simply in crisis but has reached a structural inflection point, where the decay of the US-led post-war system is being matched, in real time, by the construction of a multipolar alternative led by the global South.

LIST OF ACRONYMS

ABMI	Asian Bond Markets Initiative
ACGF	ASEAN Catalytic Green Finance Facility
ADB	Asian Development Bank
AfDB	African Development Bank
AGT	Africa Graphite Triangle
AIF	ASEAN Infrastructure Fund
AIIB	Asian Infrastructure Investment Bank
ALBA	Alianza Bolivariana para los Pueblos de Nuestra América (Bolivarian Alliance for the Peoples of Our America)
ASEAN	Association of Southeast Asian Nations
AU	African Union
AfCFTA	African Continental Free Trade Area
AMRO	ASEAN+3 Macroeconomic Research Office
BI	Bridgetown Initiative
BIS	Bank for International Settlements
BRICS	Brazil, Russia, India, China, and South Africa (and extended partners)
BRL	Brazil Real (currency)
CAF	Development Bank of Latin America and the Caribbean
CAP	Common African Position on Debt and Debt Sustainability
CARICOM	Caribbean Community
CBAM	Carbon Border Adjustment Mechanism
CELAC	Community of Latin American and Caribbean States

CMIM	Chiang Mai Initiative Multilateralisation
CNY	China yuan (currency) See also RMB (Renminbi)
CO_2	Carbon Dioxide
CRA	Contingent Reserve Arrangement (BRICS)
DDA	Doha Development Agenda (WTO negotiations framework)
DRC	Democratic Republic of the Congo
ECLAC	Economic Commission for Latin America and the Caribbean (Comisión Económica para América Latina y el Caribe – CEPAL)
ESG	Environmental, Social, and Governance (Framework)
EU	European Union
FDI	Foreign Direct Investment
FfD4	Fourth International Conference on Financing for Development (Seville, 2025)
FLAR	Latin American Reserve Fund
G20	Group of Twenty
G7	Group of Seven
GCF	Green Climate Fund
GDP	Gross Domestic Product
GDPC	Global Development Promotion Centre
GPG	Global Public Goods
IDA	International Development Association (World Bank Group)
IMF	International Monetary Fund
INR	India Rupee (currency)
JSI	Joint Statement Initiative (WTO)
LDCF	Least Developed Countries Fund

LIC	Low-Income Country
M-Bridge	Multiple Central Bank Digital Currency Bridge
MERCOSUR	Southern Common Market (Mercado Común del Sur)
MIC	Middle-Income Country
NATO	North Atlantic Treaty Organization
NDB	New Development Bank (BRICS)
NFW	Net Foreign Wealth
OBBA	One Big Beautiful Bill Act
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OFID	OPEC Fund for International Development
PAPSS	Pan-African Payment and Settlement System
PPP	Purchasing Power Parity
QE	Quantitative Easing
QT	Quantitative Tightening
REDD/REDD+	Reducing Emissions from Deforestation and Forest Degradation
RMB	Renminbi (China Currency). See also CNY (China yuan)
SAP(s)	Structural Adjustment Programme(s)
SCO	Shanghai Cooperation Organisation
SDG(s)	Sustainable Development Goal(s)
SDR	Special Drawing Rights (IMF reserve asset)
SDRM	Sovereign Debt Restructuring Mechanism
SIDS	Small Island Developing States

SSA	**Sub-Saharan Africa**
SSC	**South-South Cooperation**
SWFs	**Sovereign Wealth Funds**
SWIFT	**Society for Worldwide Interbank Financial Telecommunication**
UN	**United Nations**
UNEP	**United Nations Environment Programme**
UNFCCC	**United Nations Framework Convention on Climate Change**
US	**United States**
WID	**World Inequality Database**
WTO	**World Trade Organization**
ZAR	**South Africa Rand (currency)**

"The new Cold War is hot and bloody in parts of the world, sometimes spreading quickly. As bellicosity is increasingly normalised, hostilities have grown dangerously"

Jomo Kwame Sundaram (2024)

1. INTRODUCTION

The global economy has been marked by mounting volatility over the last two decades — a period defined by overlapping crises: pandemics, geopolitical conflicts and tensions, trade wars, the growing climate emergency, and deepening inequalities[2]. Together, these disruptions, layered upon pre-existing structural fragilities, have undermined the multilateral order and exposed its deep-seated asymmetries between the global North and South[3]. Years of economic turbulence, financial instability and unfulfilled climate and development promises have eroded faith in multilateral cooperation.

The election of Donald Trump to the United States (US) Presidency in 2016 marked a critical rupture in the post-Cold War liberal order. His administration's explicit and militant pursuit of "America First" policies through the use of protectionist tariffs, wars and sanctions, and the rollback of climate commitments signalled a departure from "cooperative" globalisation. It eschewed longstanding multilateral norms and its aggressive tariff rhetoric amplified uncertainty across global trade and financial markets. However, Trumpism is not an isolated event, but the American flagship of a broader extremist-populist and anti-institutional wave that has manifested across diverse political contexts. This same disruptive impulse was evident in the United Kingdom's Brexit referendum and the subsequent elections of Jair Bolsonaro in Brazil (2019), and later Javier Milei in Argentina (2023). While differing sharply in ideological orientation—from Bolsonaro's authoritarian culture wars to Milei's radical market-fundamentalist programme of deregulation, liberalisation, and external alignment with the United States—they are united by an instrumental rejection of established liberal and multilateral constraints, embracing electoral mechanisms while actively dismantling the institutional architectures of governance. This sequence demonstrates the persistence and adaptation of a disruptive playbook that continuously challenges the architecture of global economic governance. While the US-led Post WWII liberal order generated a degree of peace and prosperity, it was already on an increasingly weak and fragile footing, due to imbalances and deficiencies that disadvantaged many of the poorest global South countries. Moreover, US administrations from Clinton to Biden had already significantly weakened the multilateral trading system.[4] Beyond trade, the projection of US power consistently took military and financial forms, undermining the very norms of the order it purported to lead. This was evident in the numerous proxy wars the country engaged in and in the multifarious financial sanctions against global South countries. US military interventions and wars dominated the post-war era, including the ill-fated US-led invasion of Afghanistan (2001), the disastrous invasion and occupation of Iraq (from 2003 to 2011) supported by the so-called "coalition of the willing" – mainly North Atlantic Treaty Organization (NATO) allies; and the NATO-led bombing of Libya (2011). In addition, various US administrations have intensified the weaponisation of the global financial system. Currently, at least eight to ten countries are under some form of Western (primarily US-led) sanctions. These sanctions have evolved from trade embargoes to financial warfare. A key demarcation point was the post-9/11 shift from trade-based and territorial sanctions to financial sanctions with global reach. The collective evidence from these cases demonstrates that sanctions, which operate not in a political vacuum but directly attack the pillars of economic stability, are a primary driver of macroeconomic volatility in the targeted states with spillover effects into the economies of neighbouring states. See **Section 3: Coercive Statecraft: The Weaponisation of Finance** for more detailed discussion about sanctions and their impact.

After Trump 1.0, the Biden administration attempted to reinvigorate multilateralism, but the foundations were too brittle. Decades of missteps—from the ruthlessness of the Structural Adjustment Programmes (SAPs) during the 1980s and 1990s to the seemingly benign Washington Consensus and the 2007-2008 financial crisis it helped spawn, and ultimately, to the banality of the Wall Street Consensus's financialisation of development —had already eroded trust across the global South.[5]

Structural Adjustment was the brutal, initial therapy (the "practice" so to speak). This was a crisis-driven response to the 1970s oil shocks and subsequent global recession of the early 1980s which triggered the "Third World Debt Crisis". Many countries in Latin America and Africa could not service their foreign debts, threatening the stability of major Western banks. Access to emergency loans was made conditional on a country agreeing to implement a strict set of neoliberal economic reforms. SAPs were infamous for their devastating social costs, leading to the "lost development decade" in 1980s Africa and Latin America. They were widely criticised for being anti-democratic, imposed from Washington with no local input, and for causing increased poverty, crumbling public health systems, and deindustrialisation.

Thereafter, the Washington Consensus became the comprehensive doctrine (the "theology") that sought to justify and expand the SAPs therapy into a permanent state of affairs. It provided the intellectual cover for pushing privatisation and liberalisation even in countries not facing an immediate debt crisis (for example in post-communist Eastern Europe). Its failure to deliver widespread prosperity and its role in increasing inequality led to the rise of anti-globalisation movements.

The technocratic and complex nature of the Wall Street Consensus is grounded in new mechanisms for extraction in the form of seductive, more sophisticated financialised models that use the state's balance sheets not to provide services directly, but to "derisk" private investment and turn public goods into financial assets.[6] This insidious trap favours the use of public money and policy to "crowd in" or "leverage" vast pools of private capital (pension funds, asset-managed funds, insurance companies). States leveraged their sovereign balance sheets to guarantee profits for foreign capital to invest in the so-called green transition. Increasingly, many global South states are being enmeshed in a "Climate-Debt Trap". See more detailed discussion in **Section 1 Climate Colonialism and the Ecological Debt**.

This was the state of affairs in the global political economy when Trump returned to the world stage with his "America First" platform and "zero-sum sovereignty",[7] manifesting aggressive unilateralism, and the weaponisation of trade and finance. It is fair to say Trump's 2025 rhetoric and actions simply ramped up American exceptionalism— on steroids—with his own particular brand of "Making America Great Again". But it represents not merely a domestic political shift but a structural inflection point in global economic governance.

Trump launched the inauguration of his second term (Trump 2.0) in January 2025 with not just the usual political transitional shift but also through a hostile takeover of the US government's core financial infrastructure by a tech-broligarchy.[8] He also explicitly repudiated the post-WWII liberal order, demonstrating preference for bilateral "deals" over multilateral commitments. In a matter of days, the fusion of private tech power and state authority, as analysed by historians like Yale professor Timothy Snyder, became a startling reality.[9] This signals significant, multifaceted, and strategic risks for governments, particularly in the global South, that have deep and growing links of their administrative capacity to Starlink technology, both as a service and as critical infrastructure. As Snyder (2025) wrote, "(i)n the third decade of the twenty first century, power is more digital than physical".[10] As a US-regulated technology, the US government could, in theory, order the service of Starlink to be shut off in a specific country as a form of sanction or during a geopolitical dispute. This makes countries even more vulnerable to capricious shifts in US policy.

Trump's immediate weaponisation of trade through indiscriminate tariffs and threats of military adventurism from Greenland to Canada was initially received with dark humour. But it took a deadly turn with the reassertion of the US's hemispheric dominance and a reassertion of the Monroe Doctrine in the Caribbean Sea.[11] This has created a definitive rupture, fear and mistrust in the global governance system. The doctrine—originally declared in 1823—warned European powers against interference in the Americas. Trump's foreign policy team has used its language to justify a renewed focus on Western Hemisphere security and resistance to Chinese or Russian influence in Latin America (Guillaume, 2025). This Trumpian "America First/Homeland first Doctrine" – aptly dubbed the "Donroe" Doctrine by one commentator – has hollowed out any remaining pretence of stable, rules-based multilateralism and thrusts the world into an era of overt, transactional diplomacy and full-on power politics.[12]

The global and national macroeconomy is at the heart of a convergence of deeply intertwined, complex challenges—the polycrisis of economics, environment, and political tensions, which disproportionately operate through and deepen inequalities between and within countries. These interconnected challenges have compounding effects that most pervasively manifest as macroeconomic volatility, principally characterised by slowing Gross Domestic Product (GDP) growth, high inflation, and volatile exchange rates. Globally, inflation is a major contributor to macroeconomic volatility. Recent events in the world such as the pandemic, supply chain disruption and war have led to a persistent rise in inflation resulting in a rising cost of living, social tensions and ongoing risk of prolonged inflationary cycles. See **Appendix 1** for a more detailed discussion of the direct causes and consequences of rising global inflation. This volatility shapes national economic stability and has a devastating impact on countries in the global South, intensifying pre-existing vulnerabilities: dependence on volatile capital flows, rising debt burdens, and exposure to commodity shocks.

This paper interrogates how such volatility reshapes development trajectories and reopens debates on economic and financial sovereignty. It argues that the current phase of global macroeconomic turbulence cannot be understood solely through conventional business-cycle theory. Instead, it reflects a deeper crisis of legitimacy in global economic governance, rooted in asymmetrical power relations and the contested norms of globalisation. This convergence of the interconnected polycrisis—the coercive statecraft of Trump 2.0, the enduring legacies of colonial-era economic structures, and the existential threat of climate change—operates through and deepens longstanding economic and social inequalities, transforming instability into a persistent condition for the global South. It has become a potent catalyst for a profound, decolonial transformation.[13] Faced with a system that actively disadvantages them, global South countries are no longer merely protesting. They are actively constructing an alternative architecture through initiatives ranging from the reformist Bridgetown Initiative (BI), the drive for dedollarisation, and deeper regional integration—through economic, financial and trade groups—and strategic alliances like BRICS.

The remainder of this paper examines the defining features of this volatile macroeconomic environment and explores how the global South is navigating, and ultimately seeking to reshape, the turbulent global order of the twenty-first century. It has four sections: **Section 1**: Global Macroeconomic and Sustainable Development Volatility. **Section 2**: Navigating the Future: Challenges, Opportunities, and Decolonial Pathways for the Global South. **Section 3**: The Hostile Geopolitical Environment. **Section 4**: Feminist Economics and the Architecture of Volatility — Rethinking Stability. A **concluding section** moves beyond the analysis of the geopolitical and economic challenges facing the global South to offer a few critical reflections on the South's arsenal of reform initiatives for sovereignty and reform in the current hostile environment. It suggests a Kairos moment for the Global Majority.

1. GLOBAL MACROECONOMIC AND SUSTAINABLE DEVELOPMENT VOLATILITY

Undisputably, the global economic landscape is in constant flux, shaped by shifts in trade patterns, currency fluctuations, and rising geopolitical tensions. Emerging challenges to US unipolarity have highlighted the rise of multi-polarity and the increasing influence of the global South—countries like China, India and Indonesia are asserting themselves on the global stage, while Pan-Africanist movements in West Africa from Niger, Burkina Faso, and Mali are working to dismantle lingering colonial structures. Concurrently, protests against International Monetary Fund (IMF)-style imposed austerity measures in Kenya and Zambia illustrate widespread bottom-up frustrations with the neocolonial economic system.

Prior to the arrival of Trump 2.0, the five defining features of global South dissatisfaction and unease with the current global order have been: 1) the COVID

19, and its aftermath (including the vaccine debacle), 2) financial weaponisation, 3) inability to adequately address both the climate and the sovereign debt crises, 4) the protracted and devastating Israeli genocidal war in Gaza and the murder and brutalisation of the Palestinian people, and 5) the Russian-Ukraine-NATO (proxy) war.

Over the intervening period—what some have termed the "new Cold War"—there has been intensified militarisation with the US maintaining 700–800 bases (including all facilities, access sites, and small outposts) globally in eighty countries/territories (Vine et al. 2021) and at least seven to nine NATO-led military operations and missions in Africa, and the Middle East.[14] Many of these preoccupations of the West have pushed concerns about human rights and poverty eradication to the sidelines; there is now little genuine consideration of these issues despite the continuing rhetoric of "no one left behind". These developments have led the global South countries to seek to strengthen their own internal dynamics and to refuse to kowtow to traditional global leadership. Quite possibly, the only virtue of Trump 2.0 is that he no longer pretends to care about any of this. He has signalled no intention to honour global commitments, the rules-based trade system, or accountability for the Sustainable Development Goals (SDGs) Global Partnership for Development. These complexities reflect the enduring challenges faced by the global South, particularly in Africa and Latin America since colonialism and under continued forms of economic imperialism.

At the same time, it is undeniable that the global South has emerged as an increasingly important contributor to world growth.

- Developing economies now account for around 42 per cent of global output and have been a major engine of global economic expansion, with China alone contributing about 30 per cent of global growth in recent years UNCTAD (2025)
- According to the World Bank, emerging and developing economies, home to about 70 per cent of the world's population, accounted for over 60 per cent of global GDP growth in the past decade.
- Broner et al. (2023) argue that the global South's integration into global finance has increased significantly since 2001.[15] According to UNCTAD (2018) and IMF (2017) data, emerging market and developing economies saw their share of global GDP surpass 45 per cent in the early 2010s, reaching over 50 per cent by 2018, marking a fundamental shift in the centre of gravity of the global economy.
- Collectively, the South accounts for about 45.9 per cent of imports, 42.1 per cent of exports and 65 per cent of foreign direct investment inflows (UNCTAD, 2024b). UNCTAD argues that South-South trade was USD5 trillion in 2021

(UNCTAD, 2022c; 2025).
• The IMF projects that by 2028, emerging and developing economies will contribute nearly 75 per cent of global GDP growth, with China, India, and Southeast Asia leading the way.

Additionally, the global South is increasingly becoming a centre for innovation and technological advancement: India is a global leader in information technology services and software development, with its tech industry contributing over 8 per cent of GDP; China is a leader in renewable energy, electric vehicles, and 5G technology, and Africa is experiencing a mobile technology revolution, with mobile money platforms like M-Pesa transforming financial inclusion. The African continent is also a major source of critical minerals that are essential not only for the green transition but also for the production of military technologies and the development of artificial intelligence (IEA, 2021; USGS, 2024).

Many of these emerging markets and global South countries, as a group, represent key nodes in global supply chains and remain highly vulnerable to macroeconomic volatility driven by debt crises, dollar dependency, currency instability, and the detrimental legacies of colonialism and imperialism.

Their global and national economies are central to a set of deeply intertwined, multi-scalar challenges—the so-called polycrisis of economics, environment, political and social tension alongside struggles to enter the Fourth (and possibly Fifth) industrial revolution.[16] This volatility shapes national economic stability and growth and has serious impacts on countries of the global South, which have borne the brunt of recent global shocks—facing slower growth, higher inflation, currency depreciation, and debt distress.

According to UN Secretary-General António Guterres, current conditions reflect “the harsh realities of a deeply unequal global landscape” where economic downturns, inequality, and job insecurity have contributed to widespread social unrest across both developed and developing countries. He notes that income disparities and limited opportunities have generated a “vicious cycle of inequality, frustration and discontent across generations.” (UNDESA, 2020: 2)

A key factor reinforcing these disparities is the structural imbalance of the global financial system. Wealthy countries benefit from what economists describe as an “exorbitant privilege”: they pay comparatively low interest rates on foreign borrowing and receive positive net foreign income flows. Data from the World Inequality

Database (WID) indicates that the ten richest countries, with the exception of Australia and Saudi Arabia, consistently receive positive net foreign income even when several—especially the United States—have significant negative foreign wealth (WID, 2024)

At the same time, climate change and environmental degradation intensify macroeconomic pressures. Rising global temperatures, biodiversity loss, and resource depletion directly affect food security, migration patterns, and conflict dynamics.

ARCHITECTURES OF VOLATILITY

In the following sections, we explore the key drivers of macroeconomic volatility that shape the structural vulnerabilities of economies in the global South. These interconnected dynamics reveal how poverty and inequality, debt dependency, ecological extraction, trade imbalances, and financial instability reinforce each other, deepening cycles of precarity and dependence. Sections examine **Poverty and Economic Inequality**, the **Debt Trap and Fiscal Stranglehold, Climate Colonialism and the Ecological Debt, Trade Constraints and Exchange-Rate Volatility and Financial Insecurity**. Together, these dimensions map the architectures of volatility that sustain systemic fragility and constrain development alternatives.

POVERTY AND ECONOMIC INEQUALITY

Many international agencies agree that there has been a setback in the fight against poverty since 2020 – whether measured by the USD2.15/day or USD3.65/day international poverty lines. Although SDG / United Nations (UN) data suggest that working poverty has declined globally over the past decades and some agencies, especially in middle-income countries (MICs) might still emphasise continued progress in certain metrics (e.g. multidimensional poverty, inequality-adjusted measures), recent trends indicate slowdowns in some regions. The World Bank's *Poverty, Prosperity, and Planet 2024* report notes that "global poverty reduction has slowed to a near standstill" with almost 700 million people (8.5 per cent of the global population) now living in extreme poverty (living on < USD2.15/day). It states that "poverty rates in low-income countries are higher than before the pandemic". Progress in middle-income countries, remains slower, uneven, and in some cases reversed under inflation and fiscal pressures (World Bank, 2024; NORAD, 2025). For instance, poverty reduction has reversed in Pakistan, while Indonesia has continued a gradual decline in extreme poverty even under new thresholds (World Bank, 2025b).

Overall, countries that sustained progress did so through targeted transfers and social-protection measures, while others experienced reversals due to inflation, fiscal stress, and austerity. This mirrors the effects of the Structural Adjustment Programmes of the past, which prioritised debt repayment over investment in critical sectors. Such approaches forestalled growth, exacerbated inequality, and triggered deindustrialisation. Evidence presented in **Box 1** shows that the impacts have disproportionately affected specific groups, highlighting the systemic inequalities in global recovery and the need for resilient, justice-based, and gender-responsive macroeconomic frameworks.

BOX 1
GENDERED AND RACIALISED DIMENSIONS OF POVERTY IN THE POST-2020 CONTEXT

Evidence shows that the economic shocks of the pandemic, inflation, and climate-related disasters disproportionately affected women, Afrodescendant, and Indigenous communities, reinforcing the structural patterns of exclusion that define the global South (UN Women, 2023; ECLAC, 2024).

GENDERED POVERTY AND ECONOMIC PRECARITY

Globally, women are 24 per cent more likely than men to live in extreme poverty and represent over 60 per cent of the working poor (ILO, 2024). This gap widened after 2020 as female employment contracted in sectors like tourism, informal services, and care work — all heavily impacted by the pandemic. The feminisation of poverty remains especially acute in sub-Saharan Africa (SSA) and Latin America, where informal labour, wage gaps, and the unequal burden of unpaid care constrain women's recovery (World Bank, 2024; UN Women, 2023).

Post-pandemic fiscal consolidation has often reduced social protection and childcare programmes, deepening vulnerability among women-headed households. Feminist economists emphasise that the crisis revealed not only income inequality but also time poverty, as women's unpaid care burdens rose sharply—an issue now recognised as central to macroeconomic stability and poverty eradication (Gammage, 2010; Floro and Komatsu, 2011; Hyde et al., 2020).

AFRODESCENDANT AND INTERSECTIONAL POVERTY

In Latin America and the Caribbean, Afrodescendant populations—representing more than 130 million people—experience higher rates of poverty, informality, and multidimensional deprivation than national averages (ECLAC, 2021; UNDP, 2023). The pandemic widened these gaps: in Brazil, Colombia, and Ecuador, Afrodescendant and Indigenous peoples faced disproportionate mortality and income loss due to structural exclusion from healthcare, digital access, and formal employment. Studies show that Afrodescendant women stand at the intersection of multiple vulnerabilities — facing racial discrimination, labour-market segmentation, and barriers to education and decent work — which compound gender inequalities and limit socioeconomic opportunities (ECLAC, 2021; ECLAC, 2024). In the face of these intersecting disadvantages, informal economic participation and community-based organising have been crucial mechanisms for social reproduction and survival, compensating for gaps in formal economic models that often overlook such strategies (ECLAC and UNFPA, 2020; OAS, 2025).

TOWARD JUSTICE-CENTRED POVERTY REDUCTION

The literature converges on a critical insight: poverty eradication cannot be achieved through income measures alone. Intersectional poverty reflects a deeper system of value and visibility—where unpaid care, racialised labour, and ecological dispossession interact to reproduce inequality. Addressing these requires transforming macroeconomic policy to integrate gender-responsive budgeting, Afrodescendant inclusion in climate and fiscal governance, and investment in care and community-based resilience as pillars of sustainable development. Such reframing aligns with feminist and decolonial approaches that understand poverty not as a static condition but as a dynamic expression of unequal power—one that must be undone through structural justice, representation, and redistribution (Benería et al., 2015; ECLAC, 2024)

ECONOMIC INEQUALITY

Globally, there is a widening income and wealth gap. The world economy has entered a paradoxical phase in which extreme affluence and persistent deprivation are expanding simultaneously. Since 2020, the number of billionaires and their cumulative wealth have risen dramatically, even as poverty reduction has stalled. Oxfam reports that the world's five richest men more than doubled their wealth between 2020 and 2024, while nearly five billion people became poorer. The top 1 per cent captured almost two-thirds of all new wealth created during this period—about USD26 trillion—whereas the bottom 90 per cent shared just 10 per cent (Riddell et al., 2024). Credit Suisse's *Global Wealth Report* confirms that wealth inequality has returned to levels unseen since the early twentieth century, with the richest 0.1 per cent controlling over 30 per cent of global financial assets (Credit Suisse, 2024).

World Inequality Database (WID, 2024) data show that while global average income has increased, the gap between regions remains staggering: North America and

Oceania enjoy incomes roughly 15 times higher than those of global South countries (measured in Purchasing Power Parity or PPP). Global mean income is EUR12,900 per year (PPP) or EUR1,065 per month, compared with sub-Saharan Africa (EUR240 per month), Latin America (EUR960), East Asia (EUR1,340), and South-East Asia (EUR510). This divergence illustrates what Piketty (2022) terms the "hyper-accumulation effect"—the compounding of wealth through financialised returns, monopolistic tech rents, and tax avoidance under weak redistributive regimes.

For much of the global South, macro-volatility magnifies this asymmetry: currency depreciation, debt distress, and capital outflows erode real incomes while shielding elite wealth held in offshore or dollarised assets. The IMF (2024d) notes that in many emerging markets, fiscal consolidation after the pandemic prioritised debt service over social investment, thereby transferring risk downward. The result is a K-shaped recovery—soaring stock markets and luxury consumption alongside eroding public health, education, and care systems. In the global South, economic inequality is deeply intertwined with instability and debt crises, exacerbated by geopolitical tensions and supply disruptions that affect the most vulnerable populations. The consequence of inequality is slower growth and deeper poverty.

As discussed in **Box 1**, gender and racial hierarchies sharpen this divide as impacted groups occupy the lowest strata of income and wealth distribution and are concentrated in unpaid or underpaid labour sectors excluded from asset ownership. In Latin America, Afrodescendant women earn 30–40 per cent less than non-Afrodescendant men for comparable work (ECLAC, 2021). Meanwhile, billionaire wealth in the region grew by over 20 per cent during the same period, driven by extractive industries, privatised infrastructure, and speculative finance. This racialised and gendered concentration of wealth is not incidental; it is the structural shadow of global accumulation, rewarding capital over care, extraction over equity.

Vulnerable groups in the global South—including women, children, and ethnic minorities—are further impoverished by a rising public health crisis linked to debt-induced cuts in expenditure and aggravated by climate change and extreme weather events. A significant share of the workforce is employed in the informal sector – 85.8 per cent in SSA and 53 per cent in Latin America – which offers limited job security and little access to social protection (ILO, 2024). Those women and men who are outside the urban informal economy often rely on subsistence or small-scale farming, highly susceptible to climate change, price fluctuations, and land degradation.

Reversing these inequalities demands a redistributive macroeconomic imagination: progressive taxation of wealth and windfall profits; expansion of universal social protection; and direct investment in care, climate resilience and community-owned enterprises. As feminist and decolonial economists argue, the true measure of prosperity is not the number of billionaires produced but the number of people liberated from precarity. A just recovery requires transforming volatility from a profit mechanism into a space of solidarity—redirecting global surpluses toward ecological and social regeneration (UN Women, 2023; ECLAC, 2024).

The widening inequalities and stalled poverty reduction of the post-2020 decade are not isolated outcomes; they are symptoms of a deeper structural imbalance in the global financial architecture. The same forces that allow wealth to accumulate at the top—deregulated capital flows, dollar dominance, and asymmetric interest-rate cycles—have trapped many global South countries in chronic debt dependence. As inequality expands domestically, external debt servicing compounds fiscal scarcity, leaving little room for social investment or climate resilience. In this sense, indebtedness is the financial architecture of inequality, transferring resources from the poor and precarious toward the global financial core.

DEBT TRAP AND FISCAL STRANGLEHOLD

A brewing global debt crisis now threatens both North and global South economies, with total global public debt reaching approximately USD97 trillion in 2023. The European Union (EU) accounts for about 20 per cent of that total, with many member states breaching the Maastricht Treaty obligation of 60 per cent debt-to-GDP ceiling: the euro-area average stands near 88 per cent of GDP, with some countries far higher (European Commission, 2025; Ikonen and Lehmus, 2024). The United States alone holds about USD30 trillion in public debt, projected to rise to 122 per cent of GDP by 2025, even as it contributes roughly 16 per cent of global output.

In the global South, debt burdens have become unsustainable. Collectively, low- and middle-income countries owe around USD3 trillion in public debt—with one in three now facing high debt distress, more than twice the share in 2010 (World Bank, 2024). The Bank has described this as a “silent debt crisis”. Since 2020, eleven countries have defaulted, and another thirty-one rated borrowers carry high-risk debt profiles. Among unrated global South economies, twenty-eight are considered to be in a debt trap—representing about a quarter of all global South countries, 16 per cent of the world’s population, and 5 per cent of global output. Their average debt-to-GDP ratio was around 75 per cent in 2023, accompanied by limited access to credit markets, weakened currencies, and sluggish post-pandemic recoveries. Countries in acute distress include the Republic of the Congo, Djibouti, Ethiopia, Ghana, Grenada, Lao

PDR, Malawi, Sudan, Zambia, and Zimbabwe, where debt ratios range from 80 to 110 per cent of GDP (World Bank, 2025a). Across Africa, debt servicing now consumes roughly 38 per cent of government revenue and 40 per cent of total public spending (DFI, 2024).

As of early 2024, five countries—Suriname (in the Caribbean), Zambia, Ghana, Ethiopia, and Sri Lanka (in Asia)—were engaged in debt-restructuring negotiations.[17] Yet even after restructuring, debt-service obligations are projected to absorb nearly half of budgetary resources over the next three years. This reflects a fundamental flaw in the global debt architecture: most “restructurings” offer liquidity relief but not genuine debt cancellation. Arrears accumulated during the negotiation process often offset any notional savings achieved, leaving fiscal space effectively unchanged. For example, the Zambia rescheduling agreement with bondholders implies very high debt payments during the first years of the timeline (DFI, 2024; IMF, 2022c). For more detailed discussion about the Ghana debt crisis, see Torvikey and Asante (2025). Sri Lanka seems to be one of the few countries where debt restructuring will bring allocation below 30 per cent of revenue. For more detailed discussion see Gunasekera et al. (2025). See also **Section 1 Crowded-Out Futures and Climate Colonialism.**

The crisis has multiple drivers. The COVID-19 pandemic and its aftermath triggered emergency borrowing. Subsequent US monetary tightening sharply increased global borrowing costs, as higher real interest rates rippled through the dollar-denominated credit system. Middle-income countries (MICs) with market access—such as Mexico and Indonesia—have managed to issue sovereign bonds, but at yields far above pre-2019 levels. In parallel, climate-related shocks have compounded debt burdens. Quak (2019) found statistically significant post-disaster spikes in debt-to-GDP ratios among Small Island Developing States (SIDS) following hurricanes and floods. The result is a feedback loop in which countries borrow to rebuild and are then penalised by rising debt ratios. Paradoxically, transitioning from low- to middle-income status can itself contribute to debt accumulation.

THE GRADUATION TRAP

While the transition from low- to middle-income status is often celebrated as a developmental milestone, it can mark entry into a more precarious financial regime, transforming fiscal dependence on donors into market dependence on investors. This so-called “graduation”—determined largely by World Bank Gross National Income thresholds rather than structural resilience—may end access to concessional lending from the World Bank’s International Development Association (IDA), several global health funds (GAVI and the Global Fund) and regional development windows. This pushes countries toward private credit markets and non-concessional borrowing. Only countries, such as Vietnam, that paired graduation with export diversification and prudent debt management, have sustained stability amid tightening global liquidity. Recent graduates— including Ghana (Torvikey and Asante, 2025), Zambia, and Sri Lanka (Gunasekera, et al., 2025) —illustrate how higher per-capita income does not guarantee fiscal sustainability.

The following table highlights selected countries that transitioned from Low-Income Country (LIC) to Middle-Income Country (MIC) status since the 2000s. It highlights the main drivers of graduation, post-transition debt outcomes, and structural vulnerabilities that have emerged. These cases illustrate how statistical graduation, often based on temporary income gains or commodity booms, can lead to heightened exposure to global credit cycles and market volatility.

Table 1: Countries Graduating to Middle-Income Country (MIC) Status

COUNTRY	GRADUATION YEAR	KEY DRIVERS	POST-TRANSITION DEBT OUTCOME	NOTABLE FEATURES
Angola	2012	Oil-led growth	Debt >100% GDP after oil crash; IMF assistance	Commodity trap; weak diversification
Bangladesh	2021 (UN LDC exit 2026)	Garment exports, remittances	Moderate debt; rising external vulnerability amid global slowdown	Managed graduation; still reliant on soft finance
Ghana	2011	Oil discovery; GDP rebasing	Eurobond market access; debt >80% GDP; defaulted in 2022	Rapid market borrowing post-graduation; fiscal stress and IMF return
Kenya	2014	Services, ICT, rebasing	Debt rose >70% GDP; multiple Eurobonds; currency depreciation	Shift to non-concessional borrowing; high servicing costs
Sri Lanka	2019 (Upper MIC)	Tourism, remittances, services	Lost IDA eligibility; market debt soared; defaulted 2022	Debt crisis post-concessional exit; limited buffers
Vietnam	2010	Manufacturing, Foreign Direct Investment (FDI) inflows	Sustained growth; debt moderate; strong export base	One of few successfully managed transitions
Zambia	2011	Copper exports; commodity boom	Eurobond debt surge; defaulted 2020	Commodity dependence; weak fiscal buffers

THE GREEN GRADUATION PARADOX

The intersection of graduation and climate change exposes a deep asymmetry in global development. States such as Bangladesh, Cabo Verde, Bhutan, and Samoa illustrate this paradox. They remain among the world's most climate-exposed nations, yet their "graduating" status sharply diminishes their eligibility for concessional climate finance upon graduation. Graduating countries may receive Official Development Assistance (ODA) at a more expensive terms of finance while losing access altogether to concessional climate-finance mechanisms designed for the most vulnerable, including the Least Developed Countries Fund (LDCF)[18] and the IDA Crisis Response Window. Graduation also limits eligibility for Least Developed Countries-specific finance windows in the Green Climate Fund (GCF) and Adaptation Fund. Middle-income countries face higher co-financing requirements and compete with larger emerging economies for limited resources. They are then pushed toward market-based financial instruments—such as catastrophe bonds, sovereign insurance, and blended finance—that raise debt burdens and financialise climate resilience.

Graduates may also face new trade-related climate constraints, such as the removal of preferential schemes like the EU's "Everything But Arms". Green conditionalities, including the Carbon Border Adjustment Mechanism (CBAM) and Environmental, Social, And Governance (ESG) standards can mean higher export compliance costs. As well, access to technical and concessional support to adapt production systems is limited. Graduating countries are expected to deliver stronger climate commitments but must self-finance the transition, creating a "mitigation without means" dilemma.

Hence, development graduation, defined by income thresholds rather than structural resilience, increasingly conflicts with the realities of a warming planet. The result is a disjuncture between statistical success and environmental risk: as vulnerability intensifies, access to affordable resilience finance declines and sovereign debt increases.[19] From a justice and macro-financial perspective, graduation in a warming world is a trap. Adaptation is financed through debt rather than grants as climate risk is privatised, and resilience becomes an asset class rather than a public good. Responsibility for adaptation is therefore shifting from solidarity-based multilateralism to individual borrowers navigating high-cost, conditional finance. The changes are summarised in the table below.

Table 2: Graduation in a Warming World: Risk Reconfiguration

DOMAIN	PRE-GRADUATION CONDITION	POST-GRADUATION SHIFT	RESULTING RISK
Disaster Finance	Access to LDCF, IDA Crisis Response	Reliance on market loans, catastrophe bonds	Rising fiscal vulnerability post-disaster
Climate Funds	High grant share, simplified access	Higher co-financing, complex access	Delayed adaptation; increased debt risk
Trade Standards	Preferential access for LICs	Carbon border taxes, ESG compliance	Competitiveness loss; higher export costs
Mitigation Obligations	Flexible Nationally Determined Contributions targets (NDCs)*	Stricter mitigation expectations	Mitigation without means
Finance Channels	Concessional windows, solidarity funding	Private green bonds, blended finance	Financialisation of resilience

*NDCs are commitments made by countries under the UNFCCC's Paris Agreement to reduce greenhouse gas emissions and adapt to climate change, with targets updated every five years.

These debt patterns are not simply fiscal mismanagement; they expose the absence of an equitable sovereign-debt resolution architecture. Official creditors— notably major financial centres and the Group of Twenty (G20) states—have resisted meaningful reform towards a Sovereign Debt Restructuring Mechanism (SDRM) capable of ensuring predictability, fairness, and shared burden-sharing. Without binding participation by private creditors or legal safeguards against vulture-fund litigation, current frameworks perpetuate what UN experts term a "fiscal stranglehold" (CESR, 2025). An SDRM with binding participation rules, transparency standards, and alignment with global sustainability goals could ensure that debt negotiations are predictable and fair, while safeguarding debtor countries' development priorities and social outcomes.

The Fourth International Conference on Financing for Development (FfD4) in 2025 in Seville offered modest rhetorical commitments to "timely, orderly, and coordinated" processes but left the legal architecture largely unchanged. The so-called "Seville Compromise" emphasised process issues such as transparency, comparability-of-treatment, and faster timelines but sidestepped the deeper power asymmetries that prevent genuine debt justice (Martens, 2025; CESR, 2025).

Existing initiatives such as the "Common Framework"—the G20's debt-treatment vehicle—have glaring gaps: limited eligibility (not all distressed countries qualify), weak leverage over private creditors, and the absence of automatic standstills (CESR, 2025). Discussions also stress the importance of comparability, transparency, and equitable burden-sharing. Consequently, most countries muddle through restructuring processes that do little to reduce their overall debt.

Meanwhile, private creditors—commercial banks, bondholders, hedge funds, and institutional investors—play a decisive but often obstructive role. Their power derives from the financialisation of sovereign debt, with much global South borrowing now conducted through private capital markets rather than concessional channels.[20] Since the Seville 2025 FfD4 meeting, debate over a binding Sovereign Debt Restructuring Mechanism has intensified, yet no enforceable global regime exists. Incremental reforms and voluntary tools have substituted for structural change. UNCTAD's A *World of Debt 2025* report calls explicitly for a predictable, development-oriented mechanism, arguing that the current architecture is inadequate to manage systemic debt distress (UNCTAD, 2025).

QUANTITATIVE TIGHTENING (QT) AND QUANTITATIVE EASING (QE) CYCLES

The negotiating terrain remains deeply asymmetric: debtor states urgently require relief, while creditors can delay or litigate if proposed reforms appear too ambitious. The terrain is particularly affected by volatile monetary policy, through cyclical quantitative tightening (QT) and quantitative easing (QE) measures.

Since the financial crisis of 2007-2008, major central banks have been engaging in quantitative easing – a monetary policy in which a central bank expands its balance sheet by purchasing longer-term assets such as government bonds. This injects liquidity, reduces interest rates, supports lending and stimulates growth domestically (Federal Reserve Bank of Dallas, 2024; Bank of England, n.d.). The subsequent quantitative tightening (QT) phase does the exact opposite – allowing assets to mature without reinvestment or by selling them, thereby reducing liquidity and raising yields—and affecting borrowing costs (Corporate Finance Institute, n.d.). Such was the period from 2017 to 2019 and the post-COVID period beginning in 2022 when inflation surged. QE and QT are hence mirror images of each other. The in-between is a "tapering" or transition period.

Even though some advanced economies are now entering an expansionary (QE) monetary phase, the divergence between rate cuts and ongoing quantitative tightening provides little improvement for the global South. There is a conflict in monetary policy. On the one hand, while, say, the US Fed initiates interest rate cuts (to stimulate growth), it has also tightened financial conditions (in order to reduce inflation). The result is a rise in the long-term interest rate, reduced liquidity and tight financial conditions.

Some global South countries, particularly those with high debt burdens, will face a challenging environment. Quantitative tightening usually strengthens the US dollar and triggers capital outflows from global South countries, weakening local currencies and draining foreign-exchange reserves. As currencies depreciate, the cost of servicing dollar-denominated debt rises, worsening inflation and increasing fiscal strain. Policymakers then confront a difficult trade-off: raising interest rates may stabilise the currency but slows growth and heightens unemployment, while cutting rates can support domestic activity but risks capital flight and further depreciation. Either option amplifies macroeconomic volatility and social stress.

For countries already in fragile fiscal positions, these combined pressures—slower growth, rising borrowing costs, and currency depreciation—can push them into debt distress. When governments cannot roll over debt or meet external obligations, default risks escalate. Historical patterns show that sharp increases in US interest rates have often coincided with financial crises in emerging markets. Recent examples such as Sri Lanka's 2022 default (Gunasekera et al., 2025) and Pakistan's 2022–2024 crisis (Wikipedia, n.d.c) demonstrate how severe depreciation, inflation, external imbalances, and escalating debt burdens can converge into default or restructuring. Under such conditions, debt sustainability becomes increasingly precarious, especially when external pressures are strong and fiscal buffers are limited.

Table 3: Comparison of QE and QT

ASPECT	QUANTITATIVE EASING (QE)	QUANTITATIVE TIGHTENING (QT)	EFFECT
Balance sheet	Expands (buying assets)	Contracts (selling or maturing assets)	Affects liquidity
Interest rates	Lowers long-term yields	Raises long-term yields	Affects borrowing costs
Liquidity	Injects liquidity	Withdraws liquidity	Affects financial stability
Economic impact	Stimulates growth	Restrains inflation / overheating	Influences volatility

CROWDED-OUT FUTURES AND CLIMATE COLONIALISM

Rising public debt has sharply constrained fiscal space and stifled growth. The debt burden "crowds out" resources that would otherwise be spent on public services and investment in productive infrastructure. Across Africa, interest payments now absorb an estimated 72 per cent of government revenue, up from 19 per cent in 2019 and 7 per cent in 2007[21] (UNDESA, 2025). Data from the World Inequality Database (WID, 2024) show that the ten poorest countries—mostly in sub-Saharan Africa—send out more capital than they receive from foreign investors; in other words, they are paying net foreign income to the rest of the world.[22] This dynamic drains domestic resources for infrastructure, healthcare, and education. Such reverse flows lock entire regions into long-term poverty.

The continuing impasse in global climate finance deepens this trap. The failure to deliver the long-promised USD100 billion per year in climate finance,[23] combined with inadequate adaptation funding, undermines both fiscal stability and survival. The resulting inequities have fuelled what activists and scholars term "climate colonialism"—the transfer of environmental burdens to the global South through offset schemes and resource grabs. Ostensibly designed for afforestation and reforestation, these projects often serve to meet the carbon-reduction commitments of the North while directly disadvantaging Indigenous peoples, Afrodescendants, and local communities, who are frequently displaced from their land.

Thus, the debt crisis and the climate crisis are co-constitutive: one reproduces the fiscal dependency of the South, the other commodifies its ecosystems. Both are sustained by the same structural asymmetry that privileges capital mobility over human and planetary survival.

CLIMATE COLONIALISM AND THE ECOLOGICAL DEBT

The climate crisis is not an isolated environmental problem; it is the latest expression of an unequal global order. Average global temperatures have already risen by about 1.1 to 1.3°C since pre-industrial times, and scientists now warn that the 1.5°C threshold may be breached before 2030 (IPCC, 2022a, 2023; Hansen et al., 2023). This warming drives more frequent and intense heatwaves, droughts, floods, and storms, while melting glaciers and rising seas threaten entire island nations. For the global South—especially Africa and Small Island Developing States —the implications are catastrophic, affecting livelihoods, food systems, and entire national economies. Every fraction of a degree matters, as higher temperatures increase the risk of irreversible tipping points. Arctic sea ice is shrinking at a rate of 12.6 per cent per decade, and global sea levels have risen by about twenty cm (eight inches) since 1900, threatening coastal communities.

THE STRUCTURAL CAUSES AND ECONOMIC LINKS

The roots of the crisis lie in the burning of fossil fuels, deforestation, and industrial agriculture—activities historically dominated by the global North. Greenhouse gases from these sectors trap heat, destabilise the planet's energy balance,[24] and produce macroeconomic volatility through disrupted food systems, energy insecurity, and forced migration. Climate shocks drive up prices, weaken currencies, and amplify debt burdens—as seen when Pakistan's 2022 floods triggered inflation and a sharp rupee depreciation. For countries dependent on commodity exports, every drought or hurricane reverberates through balance-of-payments and fiscal accounts, deepening vulnerability.

BOX 2
CLIMATE CHANGE AND ITS IMPACTS

The burning of fossil fuels—coal, oil, and natural gas—for energy, transport, and industry remains the largest source of carbon dioxide (CO_2) emissions, the primary driver of global warming. The clearing of forests for agriculture, logging, and urbanisation reduces the planet's capacity to absorb CO_2, as trees act as vital carbon sinks. Livestock farming and the use of synthetic fertilisers release methane (CH_4) and nitrous oxide (N_2O), both potent greenhouse gases. Landfills and poor waste management generate additional methane, while industrial processes emit other harmful pollutants. The oceans absorb about 30 per cent of CO_2 emissions, leading to acidification that damages marine ecosystems—particularly coral reefs. This poses a severe threat to African countries, SIDS, and other parts of the global South dependent on beach and marine-based tourism.

The climate crisis affects biodiversity and the habitats of plants, fish, and animal species. Across much of Africa, desertification and soil degradation are intensifying. These environmental shifts produce wide-ranging socio-economic impacts: displacement of communities due to rising sea levels and extreme weather (climate refugees); food and water insecurity from droughts and disrupted agriculture; and heightened health risks, including heat-related illness and the spread of vector-borne diseases. Ultimately, these impacts may translate into intensified competition for dwindling resources—such as water and arable land—fuelling conflict and deepening inequality, especially among already-vulnerable populations.

Mitigation measures include transitioning to renewable energy sources (solar, wind, hydro), enhancing energy efficiency, adopting sustainable industrial practices, undertaking reforestation and afforestation to restore carbon sinks, and implementing carbon-pricing mechanisms (e.g., carbon taxes, cap-and-trade systems).

Adaptation actions involve building resilient infrastructure to withstand extreme weather, developing sustainable agriculture and water-management systems, and protecting and restoring ecosystems to strengthen natural defences. Both adaptation and mitigation depend on innovation and technology—such as electric mobility, green transport, and sustainable urban planning—yet they must ultimately be embedded within a broader transformation of production and consumption patterns. Technological innovation alone cannot achieve mitigation goals without structural change in resource use, circularity, and efficiency (Raworth, 2017; Reyes, 2025; UNDP, 2022; UNEP, 2023).

True climate justice demands going beyond technical fixes to rethink the dominant logic of production and consumption that fuels both emissions and ecological degradation.

FROM INDUSTRIALISATION TO CLIMATE COLONIALISM

The industrialisation of the global North—responsible for roughly 92 per cent of historical greenhouse-gas emissions (Hickel, 2020; Hickel et al., 2022)—has generated an "ecological debt" owed to the South. The burden of adaptation, displacement, and loss is carried by those least able to pay. For the global South, climate justice is inseparable from decolonisation and fair global governance. It requires reparations, technology transfer, and equitable access to climate finance — not as charity, but as "redress". Current carbon-market mechanisms and "green-growth" strategies too often replicate extractive logics. Real justice demands a feminist, inclusive, and self-determined transition toward sustainability, in which communities themselves define the terms of resilience and regeneration.

Historically marginalised and economically disadvantaged populations—women, men, and children—across the global South bear the brunt of climate change despite contributing least to global emissions. This imbalance underscores a glaring injustice: those least responsible for the crisis are most vulnerable to its devastating effects, from extreme weather and food insecurity to forced displacement. Thus, for the global South, the discourse on climate change and sustainable development is not merely environmental, but a profound question of equity, justice, and survival.

BOX 3
CLIMATE COLONIALISM

Climate colonialism refers to at least three interrelated phenomena:

- **Historical responsibility and unequal impacts:** The historical and ongoing practices that have produced the climate crisis, and the unequal impacts these have on the women, men, and children of the global South.

- **Contemporary extraction and control:** The continued exploitation of resources and power by global North countries in the guise of addressing climate change. This includes large-scale land acquisitions for carbon-offset projects or renewable-energy installations in the South, often undertaken without adequate consultation or benefit-sharing—echoing colonial patterns of resource appropriation.

- **Green imperialism:** The imposition of environmental standards, carbon-border adjustments, and other regulatory measures by the global North that can restrict the developmental pathways of the South.

Though colonialism has now been recognised as one of the key structural drivers of climate change (IPCC, 2022a)[25] and the historical responsibility of Northern countries is well established, proposed "solutions" continue to offload the burden onto the South. Schemes such as carbon offsetting—ostensibly for afforestation or reforestation that benefit Northern emissions targets—remain central to the agendas of the very actors who perpetuated the crisis. The injustice runs deep.

This climate colonialism directly disadvantages Afrodescendant, Indigenous, and local communities who are often displaced from forests and ancestral lands. Through this phenomenon, aptly described as a "new form of domination", the global North pushes market-based "solutions" onto the South. Carbon-offsetting projects, for instance, enable corporations in the North to meet emission targets by appropriating land in Africa, Asia, and Latin America. These ventures frequently result in the eviction of Indigenous peoples, Afrodescendant communities, and women, replicating colonial patterns of resource control. Examples include the Ngorongoro Conservation Area in Tanzania, where Maasai pastoralists were displaced for carbon-credit and tourism schemes, and the Southern Cardamom Reducing Emissions from Deforestation and Forest Degradation (REDD+)[26] Project in Cambodia, where Indigenous Chong families suffered violent eviction (Shechambo and Kulaba, 2024; CIDSE, 2025; HRW, 2024).

GENDERED RESISTANCE AND GREEN DISPOSSESSION

The push for market-based climate solutions often replicates the very extractive patterns it purports to solve. Women are frequently at the forefront of resistance to these projects, defending access to forests, water, and ancestral lands. Yet they remain systematically underrepresented in climate decision-making and benefit-sharing structures. Studies from Tanzania and Kenya reveal that carbon-credit schemes frequently restrict women's subsistence rights while intensifying their labour burdens (CIDSE, 2025; Farmer, 2024; MISA, 2025; Mpofu 2024). Across Latin America, Afrodescendant women's struggles echo this pattern—fighting environmental dispossession while sustaining collective knowledge, livelihoods, and community care. Their leadership underscores a central lesson: without gender and racial justice, climate solutions risk becoming another form of green dispossession.

Similar to the Human Rights Watch research in Cambodia (HRW, 2024), field research in Tanzania shows that such projects often heighten women's work burdens and marginalise their voices, helping explain their central role in local resistance movements (Shechambo and Kulaba, 2024). Across Latin America and the Caribbean, women are not merely affected by carbon markets — they are protagonists reshaping the terms of consent, benefit-sharing, and territorial governance. From Amerindian women in Guyana contesting national-scale crediting schemes, to Afro-Colombian women in Chocó defending collective titles, and Shipibo-Konibo and other Amazonian women in Peru organising patrols and advocacy, the pattern is consistent: when offset or REDD+ initiatives restrict access, bypass "Free, Prior, and Informed Consent ", or privatise carbon benefits, women mobilise — invoking land, care, and community survival as the benchmarks of climate justice.

These cases demonstrate that unless gender justice lies at the centre, climate solutions such as carbon commodification risk entrenching a new frontier of green dispossession—one that women are uniquely positioned to challenge and transform.

The dynamics of climate colonialism now extend beyond land and resource control into the financial and monetary domains. The same asymmetries that once governed trade and extraction are re-emerging through climate finance conditionalities, debt-for-nature swaps, and the "green" performance metrics attached to concessional lending. These mechanisms, often framed as tools for sustainability, can reproduce dependency by tying fiscal space and creditworthiness to externally defined standards. As a result, exchange-rate management, debt restructuring, and climate policy become increasingly entangled—embedding ecological objectives within a hierarchy of financial control. The next section examines how these green conditionalities and macroeconomic instruments interact to shape exchange-rate volatility, trade, and climate finance across the global South.

For the global South, climate justice is inseparable from the broader struggle for decolonisation and fair global governance. The legacy of colonialism, extractive economies, and unequal power relations has left many nations structurally dependent on development models shaped by external interests and global market forces. While historically these dynamics were largely driven by the global North, contemporary patterns of resource extraction and investment asymmetries also emerge within South–South relations—for instance, in expanding commodity frontiers and infrastructure corridors across Latin America, Africa, and Asia. This underscores that the pursuit of climate justice must confront all forms of extractivism, whether legacy or emerging, and advance transformative partnerships rooted in equity, ecological balance, and self-determination.

Today, as countries strive to transition toward green economies, they face a dual challenge: addressing the urgent imperatives of poverty alleviation and development while navigating the pressures of climate adaptation and mitigation in a deeply unequal global system.

Hence, the call for climate reparations, technology transfer, and equitable access to climate financing is not just a demand for fairness but a necessity for survival. The global South's perspective emphasises that sustainable development cannot be achieved without addressing historical injustices and ensuring that the transition to a low-carbon future is feminist, inclusive and just. This viewpoint challenges the global North to move beyond token gestures and take meaningful responsibility for its role in the climate crisis, while empowering the global South to chart its own path toward resilience and prosperity.

Finally, climate change is reshaping global trade. Rising temperatures and extreme weather disrupt supply chains, transport, and production. Simultaneously, new “green” trade barriers—such as carbon border taxes—threaten to exclude global South countries from markets unless they adopt costly environmental standards. Without reform, this emerging green protectionism risks deepening global inequality under the banner of sustainability. This adds another layer of complexity to the already recognised and as yet unaddressed imbalances and deficits in the governance of trade that works to the disadvantage of South nations.

BOX 4
THE CLIMATE-DEBT TRAP: HOW DISASTERS, ADAPTATION COSTS, AND FISCAL STRAIN DEEPEN SOVEREIGN VULNERABILITIES

Increased Borrowing for Recovery and Adaptation, and Post-Disaster Reconstruction: Countries affected by climate-related disasters often borrow heavily to fund recovery efforts, increasing their debt burdens. Example: After Hurricane Maria in 2017, Puerto Rico faced a severe debt crisis, exacerbated by the costs of rebuilding its infrastructure.

Climate Adaptation Costs: Global South countries must invest in climate-resilient infrastructure (e.g., flood defences, drought-resistant crops), often financed through borrowing.

Reduced Fiscal Capacity: Declining revenues: Climate change can reduce tax revenues by disrupting economic activity (e.g., agriculture, tourism, and manufacturing), making it harder for governments to service existing debt.

Increased Expenditures: Governments face higher spending on disaster relief, healthcare, and social safety nets, straining public finances.

Climate Shocks and External Instability: Trade, Capital Flows, and Currency Pressures: Impact on exports and trade balances: Climate change disrupts production through droughts, floods, and extreme weather, reducing export revenues and worsening trade balances. Example: In 2021, Brazil’s drought reduced its coffee and soybean exports, leading to a decline in export earnings and putting pressure on its currency, the Brazilian Real.

Capital Flight and Investor Confidence: Climate vulnerability can erode investor confidence, leading to capital outflows and currency depreciation.

Inflation and Monetary Policy: Climate-induced supply shocks can drive up prices, complicating monetary policy.

Tourism-Dependent Economies: Countries reliant on tourism (e.g., Caribbean nations) face currency volatility when climate-related disasters (e.g., hurricanes) deter tourists and reduce foreign exchange earnings

TRADE, CONSTRAINTS AND VOLATILITY: CHALLENGES TO SUSTAINABLE DEVELOPMENT

Trade has long been regarded as an engine of sustainable development and a central pillar of the Sustainable Development Goals. The 1992 Rio Declaration underscored the importance of an open, rules-based multilateral trading system and the avoidance of protectionism.[27] From a sustainability perspective, trade liberalisation under the World Trade Organization (WTO) is assumed to enhance resource efficiency and income growth, thereby supporting conservation and poverty reduction. In this framing, trade is seen as a channel for green technology transfer and a vehicle for enabling global South countries to access environmental goods and services (UNCTAD, 2014, p2, para 6). The argument follows that higher income from trade will strengthen countries' fiscal capacity and, in turn, their ability to invest in clean energy and sustainable production. In practice, however, the evidence remains mixed: rising income does not automatically translate into increased investment in renewable energy, environmental protection, or social equity.

MULTILATERAL STAGNATION AND EMERGING FRAGMENTATION

The promise of trade as a driver of sustainable development has become increasingly clouded by political fractures and structural asymmetries. The WTO's stalled "Doha Development Agenda" (DDA),[28] the proliferation of mega-regional trade blocs, and the resurgence of US unilateralism have collectively eroded confidence in the multilateral system. Long before Trump's "America First" trade wars, major global North economies had already begun shifting away from universal multilateralism toward narrower plurilateral frameworks, such as the Agreement on Government Procurement and the Information Technology Agreement.[29] Although these remain WTO-compliant, they mirror Trump's disdain for the inclusivity of global negotiations.

The North's growing dissatisfaction with the slow pace and inclusive constraints of the WTO's consensus-based system has led to the proliferation of Joint Statement Initiatives (JSIs)— where coalitions of "like-minded" members craft new trade rules outside the consensus-based system and in effect become rule-making "clubs" within the WTO (Ungphakom, 2022).[30] For example, the JSI on E-Commerce seeks to define foundational rules for digital trade among roughly eighty members, including major economies (WTO, 2024). Similarly, the JSI on Investment Facilitation aims to streamline bureaucratic procedures for foreign investors. While formally WTO-compatible, these initiatives revive the controversial Singapore issues (Sandrey, 2006) that global South countries long resisted on grounds of policy sovereignty and developmental space (Kelsey, 2022).

These plurilateral arrangements, negotiated by subsets of members, perpetuate many of the imbalances and deficiencies already embedded in the multilateral trading system. From the perspective of many global South countries, these agreements work to their disadvantage: they bypass development considerations, fragment the global rulemaking process, and undermine multilateral principles of fairness and inclusivity. Scholars warn that such initiatives deepen asymmetries between global North and South economies (Azmeh, 2023; 2024), entrenching a "variable geometry" in trade governance (Hoekman and Mavroidis, 2023; EPRS, 2024a; EPRS, 2024b; WTO, 2021).

This fragmentation risks deepening the structural divide between those able to participate in rule-making and those who remain rule-takers. For many countries of the global South, especially low-income and climate-vulnerable economies, the increasing complexity of trade governance limits policy autonomy and compounds exposure to external shocks. The very institutions once designed to ensure predictability and fairness in global trade now reproduce inequality and volatility, undermining the developmental promise of openness. By eroding the principle of universality that underpins the WTO, they privilege powerful states and marginalise smaller economies, which are left as passive rule-takers (Kelsey, 2022).

The global South thus confronts a double bind: on one side, the elegant exclusions of plurilateralism; on the other, the predatory unilateralism of Trump-era tariffs and sanctions. One rewrites the rules for a selective club; the other tears up the rulebook altogether. Both erode the credibility of multilateralism and amplify structural vulnerabilities. This dual pressure has provided a strong imperative for the South to construct alternative architectures of trade and cooperation grounded in equity, resilience, and shared prosperity.

PERSISTENT ASYMMETRIES AND EXTERNAL SHOCKS

Unfair trade rules, volatile commodity prices, and recurrent currency fluctuations continue to disadvantage primary-exporting economies. These dynamics reproduce colonial trade hierarchies — cheap raw-material exports exchanged for expensive manufactured imports — while global value chains shift industrial production to the South, generating deindustrialisation in the North and deepening dependency in the South.

Rising protectionism, export controls, and exogenous shocks — from war and extreme weather to sanctions and pandemics — further intensify volatility and food insecurity, particularly in least developed countries, small island developing states, and small vulnerable economies whose narrow export bases magnify every disruption. Even minor shifts in the global trading environment can have severe repercussions for trade volumes and, by extension, for producers, consumers, and workers whose livelihoods depend on them.

These persistent asymmetries not only constrain sustainable development but also entrench a vicious cycle of inequality, debt, climate vulnerability, and insecurity. The combined effects undermine state capacity, erode fiscal space, and destabilise both economies and societies — locally and globally.

CLIMATE-LINKED TRADE PRESSURES

As global South nations grapple simultaneously with climate losses, tariff shocks, and mounting debt burdens, a new wave of “green” trade measures pose additional risks. Chief among these is the European Union’s “Carbon Border Adjustment Mechanism” (CBAM), scheduled to enter into full effect on 1 January 2026.[31] While designed to prevent carbon leakage, the CBAM threatens to penalise global South countries whose industries lack the technological and fiscal capacity to decarbonise at comparable rates — even as global North countries fall short of their United Nations Framework Convention on Climate Change (UNFCCC) climate-finance obligations. For example, despite renewed pledges, the finance promised by the global North Organisation for Economic Co-operation and Development (OECD) countries at the conclusion of the COP 29 negotiations in 2024 amounted to only USD300 billion (UN, 2024a) per year by 2035 against an overall target of at least USD1.3 trillion by 2035.

The United Nations Environmental Programme’s (UNEP) *Adaptation Gap Report* (UNEP, 2022) estimates adaptation costs for global South countries at between USD140–340 billion annually by 2030, rising to USD500 billion by 2050. Africa will need approximately USD70 billion – an amount which some analysts believed is underestimated by at least 100 per cent. A recent *Climate Policy Initiative* report shows that "(53 percent) of the adaptation finance commitments to Africa in 2017-2023 were loans" (CPI and GCA 2025). Many global South countries now embed trade dimensions within their Nationally Determined Contributions, seeking to link export diversification with climate resilience. Yet the financing gap remains staggering — approximately USD6 trillion by 2030 for the global South, and USD2.8 trillion for Africa alone (Climate Policy Initiative, 2022).

Despite renewed pledges, the gap between rhetoric and delivery highlights the ongoing imbalance: while the North experiments with punitive "green" tariffs, the South continues to bear the compounded costs of adjustment, adaptation, and exclusion from equitable climate-finance flows.

MILITARISED RESOURCE COMPETITION

Trade volatility increasingly intersects with security and resource geopolitics. Across the Africa–Middle East corridor, foreign powers are engaged in a renewed scramble for critical minerals, oil, and gas—often under the guise of counterterrorism or stabilisation missions. This competition for strategic resources has fuelled the proliferation of armed conflicts, proxy wars, and foreign military interventions, thereby undermining efforts toward peace, sovereignty, and sustainable development. In practice, such interventions have entrenched both dependency and instability.

France's operations in the Sahel and the United States' network of more than twenty military bases across the same region exemplify how strategic control over resources continues to outweigh developmental commitments. For many African nations, security challenges are inseparable from patterns of resource exploitation. Foreign powers and transnational corporations extract valuable minerals such as cobalt, lithium, and rare earths—vital inputs for the global green technology transition—while local communities endure displacement, pollution, and environmental degradation. These conditions have contributed to the financing of armed groups through the illicit resource trade, as seen in the Democratic Republic of the Congo, Mali, and Niger. In this context, the calls for self-determination, economic sovereignty, and decolonial governance have grown increasingly urgent as communities resist new forms of extraction and assert control over their territories.

Similar dynamics play out in the Middle East. Palestine's unrealised offshore oil and gas reserves — especially the Gaza Marine field within its Exclusive Economic Zone

— highlight how control over natural resources is embedded in broader structures of occupation and blockade. Despite significant potential value, Palestinians have been unable to meaningfully develop or benefit from these resources due to longstanding restrictions tied to the Israeli occupation and the maritime controls associated with the Gaza blockade, resulting in foregone energy revenue and development opportunities for the Palestinian economy. UNCTAD documents how restrictions associated with occupation and maritime control have prevented Palestinians from accessing and developing natural assets essential for reconstruction and long-term development (UNCTAD, 2019a; UNCTAD, 2022a; UNCTAD, 2022b). International legal scholarship affirms that such denial of access to natural resources under occupation contravenes principles of permanent sovereignty over natural resources and the law of occupation, compounding the economic costs of territorial control (Schrijver, 2009; Benvenisti, 2012). Scholars and legal analysts note that international law affirms Palestine's sovereign rights over its maritime resources, but that de facto limitations on access and exploitation undermine these rights and compound the economic costs of territorial control (Qafisheh, 2025).

Meanwhile, in the Caribbean basin and northern South America, the United States' expanding naval presence and sanctions enforcement reflect an energy-security posture oriented around containment of Venezuela's oil sector (and blocking access to China and Russia). Washington has imposed and intensified sanctions on Venezuelan oil firms and associated tankers and has deployed naval forces to interdict sanctioned shipments and enforce a self-declared blockade of vessels entering or leaving Venezuelan waters, with multiple oil tankers seized as part of this campaign (Psaledakis and Parraga, 2025). Critics argue that these measures, framed as sanctions enforcement and counter-narco-terror operations, effectively constrain Venezuela's ability to monetise its primary export and shape geopolitical leverage in the region.

The militarisation of resource competition reinforces fragility and undermines sovereignty as resource politics intersect sharply with conflict. Taken together, these patterns expose a global landscape in which militarised struggles for energy and mineral resources—from the Sahel to Gaza to the Caribbean—continue to erode peace, sovereignty, and the prospects for equitable development.

Trade volatility thus operates as a central catalyst of macroeconomic instability. Fluctuating growth, inflation, and currency depreciation reinforce debt pressures and divert scarce fiscal resources away from climate adaptation and social resilience. These intertwined forces—economic instability, ecological vulnerability, and militarised tension—generate a self-reinforcing feedback loop that destabilises development across the global South.

When economies face persistent instability, it exacerbates inequality. Vulnerable populations and resource-dependent states are least able to absorb shocks, widening global and domestic divides. This volatility heightens the risk of debt crises as governments and households borrow to cope with uncertainty, often resulting in unsustainable debt levels and diminished fiscal capacity for essential services. At the same time, macroeconomic instability undermines efforts to confront the climate emergency, as limited resources are redirected from adaptation and mitigation projects, leaving nations increasingly exposed to environmental and social disasters.

These compounding pressures—economic turbulence, inequality, indebtedness, and climate vulnerability—fuel internal insecurity, social unrest, resource conflicts, and forced migration. In sum, the interlocking crises of trade, debt, and militarisation form a structural trap that constrains sovereignty and jeopardises sustainable development across the global South.

EXCHANGE-RATE VOLATILITY AND FINANCIAL INSECURITY

This analysis now turns to another critical dimension of macroeconomic instability: exchange-rate volatility. Exchange-rate volatility refers to unpredictable and often abrupt movements in currency values that disrupt trade, investment, and debt management — particularly for global South economies whose financial obligations are frequently denominated in US dollars. Although exchange-rate fluctuations have long been recognised as a central challenge to macroeconomic stability, their implications for the effectiveness and equity of climate finance have only recently received sustained analytical attention.

Fluctuations in currency values can amplify existing trade vulnerabilities, disrupt investment flows, and complicate access to stable and predictable climate finance (UNCTAD, 2023; IMF, 2023a). Movements in exchange rates are intrinsically connected to trade, capital flows, and climate finance dynamics. These interlinkages increasingly determine the prospects for sustainable development in the global South amid a shifting and uncertain global economy.

The fragility of global trade thus brings into sharper focus the question of monetary stability and the quest for a more just international monetary order. Exchange-rate movements shape the real value of export earnings, debt-service costs, and the inflow of concessional and non-concessional climate finance. The next section explores how such volatility interacts with these forces, influencing both fiscal sovereignty and the broader struggle to construct a more just and resilient international monetary order.

EXCHANGE-RATE REGIMES AND GLOBAL VOLATILITY

The international monetary system encompasses a spectrum of exchange-rate regimes, ranging from fully flexible to rigidly pegged. Major currencies such as the US dollar and the euro are largely market-determined, whereas many global South economies operate under intermediate or managed systems—including pegged, crawling-band, or dual-rate regimes, often reinforced by capital-account measures (IMF, 2023c; Kenton, 2025).

Most global South countries with managed or partially flexible regimes—especially those tied to the dollar or the euro—experience foreign-exchange volatility that transmits external shocks directly into domestic prices, debt-servicing costs, and fiscal stability (Hausmann and Panizza, 2011; Ocampo, 2017). Structural dependence on foreign currencies constrains monetary autonomy and deepens exposure to crises, narrowing policy space for economic diversification.

This pattern is particularly evident in Africa's CFA Franc Zone, where currencies remain pegged to the euro and guaranteed by the French Treasury. Although the arrangement provides nominal stability, it curtails monetary sovereignty and restricts the flexibility required for structural transformation (Pigeaud and Sylla, 2021; Sylla, 2017; UNCTAD, 2020). The resulting asymmetry—domestic policy bound by external anchors—renders many economies highly vulnerable to commodity-price swings, speculative pressures, and abrupt changes in US Federal Reserve or European Central Bank policy. This dependency hampers effective crisis response and constrains inclusive development (Sylla, 2017; Pigeaud and Sylla, 2021; UNCTAD, 2020).

Efforts to lessen reliance on foreign currencies—including regional-currency initiatives, bilateral swap arrangements, and broader dedollarisation strategies—reflect an emerging aspiration for greater monetary autonomy and for stimulating domestic capital formation to support long-term growth (Ocampo, 2017; Akyüz, 2017).

However, exchange-rate volatility and its macroeconomic repercussions are not confined to pegged-currency systems. In balancing external stability, inflation control, and policy independence—objectives that are especially demanding under conditions of financial turbulence and limited reserves—many states adopt hybrid regimes. These arrangements embody the "trilemma" of modern macroeconomics: external stability, price stability, and policy autonomy. Achieving all three simultaneously remains elusive, particularly for global South economies constrained by shallow financial markets and dependence on foreign capital (Akyüz, 2017)

The exchange rate is one of the most consequential prices in any economy, influencing the cost of goods, services, and capital. Volatility may originate externally—from shifts in global liquidity, commodity prices, or capital flows—rather than from domestic fundamentals. For countries heavily reliant on trade, foreign investment, or external borrowing, currency fluctuations—whether appreciation or depreciation—can profoundly affect inflation, interest rates, trade balances, and public-debt sustainability. In this sense, the exchange rate acts as a transmission mechanism for global economic shocks and is therefore both a cause and a consequence of macroeconomic instability.

EXTERNAL SHOCKS

For the global South, exchange-rate movements are rarely driven by domestic fundamentals. Instead, shifts in major central-bank policies, capital-flow reversals, sanctions, and commodity-price fluctuations frequently overwhelm local economic dynamics (IMF, 2023c). Global South economies are disproportionately exposed to these fluctuations due to their narrow export bases, limited internal markets, constrained fiscal space, and vulnerability to abrupt capital reversals.

Sharp currency devaluations[32] often generate exogenous shocks that undermine macroeconomic stability and, in severe cases, precipitate financial crises. While a weaker currency can, in theory, enhance export competitiveness, such gains are typically offset by rising local-currency costs of imports and foreign-denominated debt servicing. The World Bank's *Commodity Markets Outlook* notes that commodity-dependent economies experience acute fiscal stress when global prices fall: declining export revenues compel governments to curtail public spending—including subsidies—thereby slowing economic growth and eroding household incomes (WBG, 2021). This dynamic is particularly pronounced where fiscal stability is closely tied to external market conditions.

Recent episodes illustrate the scale of vulnerability. In Nigeria, the naira depreciated sharply following foreign exchange reforms in 2023 (IMF, 2024c). In Egypt, the pound depreciated by 65 per cent in the 2022/23 financial year (IMF, 2024a). In Argentina, a 120 per cent step devaluation of the official exchange rate in December 2023 intensified inflationary stress and foreign exchange-market distortions (IMF, 2024b; IMF, 2025). Such declines heighten import prices, stoke inflationary pressures, and inflate the domestic cost of servicing dollar-denominated debt.[33] Such declines heighten import prices, stoke inflationary pressures, and inflate the domestic cost of servicing dollar-denominated debt (M'bida, 2024; Solomon, 2024).

Commodity dependence further amplifies this volatility. In Venezuela, oil accounted for more than 90 per cent of export revenue, and the sharp collapse in global oil prices after 2014 dealt a severe blow to the economy (United States Congress, Congressional Research Service, 2018). Sanctions on Venezuela's petroleum sector imposed by the United States beginning in 2017 further constrained oil exports and foreign-exchange earnings, exacerbating fiscal pressures and deepening the crisis. Such declines in revenue forced austerity measures, contributed to declining public services and heightened socioeconomic hardship. As noted by UNCTAD, ccommodity price volatility — including sharp swings in oil prices — undermines export earnings and government revenue, eroding fiscal space and exacerbating poverty and inequality in commodity-dependent countries (UNCTAD, 2019b). Similarly, Nigeria, also heavily reliant on oil, faced a sharp fiscal contraction following the 2015 price crash. Zambia (from 2015 to 2020) suffered twin shocks—declining copper prices and severe kwacha depreciation—that reduced revenues and inflated external-debt costs, squeezing budgets for health and education (IMF, 2022c and IDA and IMF, 2019). In Ghana (from 2013 to 2015), falling cocoa and gold prices triggered borrowing surges, currency depreciation, and eventual debt distress (World Bank, 2016).

These cases underscore how exchange-rate volatility, external shocks, and commodity dependence interact to produce recurrent fiscal and social crises. For many global South economies, monetary fragility thus remains not merely a technical concern but a structural condition—rooted in global asymmetries of finance, trade, and resource dependence.

Collectively, these cases show how exchange-rate volatility acts as a transmission mechanism for global shocks—tightening fiscal space and undermining long-term investment, including in climate-related sectors.

EXCHANGE-RATE MOVEMENTS AND CLIMATE-FINANCE EFFECTIVENESS

Emerging empirical evidence indicates that currency volatility significantly increases the financing costs of green projects and slows investment in low-carbon technologies, thereby undermining the effective deployment of climate finance (Moro and Zaghini, 2023; Li et al., 2023; Buchner et al., 2023). Exchange-rate uncertainty introduces financial ambiguity for both investors and implementers, obscuring the ultimate value of disbursed funds. This perceived risk inflates the cost of capital and raises the hurdle rates for green initiatives, particularly in global South economies with limited hedging instruments.

Because most climate-finance flows are denominated in hard currencies—typically the US dollar or the euro—depreciation of the recipient's currency simultaneously increases the local-currency cost of imported equipment and elevates debt-servicing obligations, eroding the real value of project funding. Conversely, local-currency appreciation can reduce the domestic value of committed external resources, complicating fiscal planning and project implementation.

The cost of importing essential green technologies—such as solar panels, wind turbines, and grid components, which are overwhelmingly priced in foreign currencies—rises directly with exchange-rate fluctuations. Such unpredictability constitutes a major deterrent to investors in capital-intensive renewable energy projects that require stable, long-term financing frameworks. The associated currency risks elevate financing costs through higher risk premiums and diminish the predictability of returns. This dynamic discourages both Foreign Direct Investment (FDI) and domestic capital formation in renewable energy and other green sectors.

Consequently, global green-finance flows intended to promote sustainability can be neutralised by exchange-rate risk unless complemented by currency-hedging instruments and local-financing mechanisms. In the absence of such buffers, exchange-rate volatility remains a major barrier to achieving global climate goals, particularly for global South countries dependent on external concessional finance.

BOX 5
IMPACT OF EXCHANGE RATE VOLATILITY AND CLIMATE FINANCE

In summary:

Exchange rate volatility introduces financial unpredictability, making both climate finance providers and private investors hesitant to commit resources. This could delay critical adaptation and mitigation projects in vulnerable regions.

- To mitigate risks, funders may favour countries with more stable currencies, leaving highly vulnerable but economically unstable nations underserved. This exacerbates climate inequities and undermines the global goal of climate justice

- Regional climate initiatives, such as cross-border renewable energy projects, are harder to finance and implement when member countries face currency fluctuations. This limits the scalability of solutions in the global South.

Offsetting mechanisms: Regional Currency Cooperation

Global South requires systemic reforms in climate finance and green technology investments.

- Greater Grant-Based Financing: Reducing reliance on loans can alleviate the burden of exchange rate risks for global South nations.
- Enhanced Local Capacity: Building domestic expertise and industries for renewable energy reduces dependence on volatile international markets.

POLICY OPTIONS AND DEDOLLARISATION PATHS

Addressing these vulnerabilities requires a three-pronged strategy that integrates financial innovation, risk management, and policy coordination. Collectively, these instruments enable global South governments and investors to protect the real value of assets, returns, and obligations against exchange-rate fluctuations.

1) Hedging mechanisms. Instruments such as currency swaps, forward contracts, and blended-finance structures can mitigate foreign-exchange risk in climate-related investments. Institutions such as the African Development Bank offer "Synthetic Local-Currency Loans" that convert foreign-currency liabilities into local-currency obligations, while the International Finance Corporation's (IFC) "Currency Risk-Hedging Facility" shields renewable-energy projects in Africa and Latin America from foreign exchange losses (IFC, 2023).

2) Local-currency financing. The Green Climate Fund (GCF) and the New Development Bank (NDB) have piloted local-currency lending, including the NDB's Eskom Renewable Support Project in South Africa denominated in rand—reducing exposure to dollar volatility (GCF, 2023a; GCF, 2023b; NDB, 2023). Financing climate projects in domestic currencies not only minimises exchange-rate risk but also strengthens local financial markets and deepens domestic capital pools, advancing financial sovereignty.

Policy coordination at regional and international levels. Regional frameworks such as the Chiang Mai Initiative Multilateralisation (CMIM) in Asia, the BRICS Contingent Reserve Arrangement (CRA), and CARICOM's Resilience Fund exemplify emerging

South–South cooperation mechanisms for monetary stability that could be explicitly aligned with climate-finance goals (CARICOM, n.d.). Such coordination enhances macroeconomic stability, harmonises monetary and fiscal frameworks, and creates more predictable exchange-rate environments conducive to green and climate-resilient investments.

Together, these policy measures represent more than technical adjustments: they form part of a broader movement towards financial dedollarisation and the recentring of monetary sovereignty in the global South. By insulating climate finance from currency volatility, these initiatives strengthen both economic autonomy and environmental resilience—critical preconditions for a just and sustainable global transition.

LONGER-TERM DEDOLLARISATION AND REGIONAL CURRENCY INITIATIVES

Over the longer term, several global South coalitions are advancing dedollarisation and regional-currency initiatives—for example, the proposed "Eco" currency in West Africa and the expansion of yuan-denominated trade settlement between Brazil and China (UNCTAD, 2024a; UNCTAD, 2024b). Trading in local currencies can strengthen macroeconomic resilience by insulating domestic economies from dollar volatility while granting central banks greater autonomy to align monetary policy with development and climate priorities (Ocampo, 2017). Nevertheless, such shifts demand extensive coordination, credible institutions, and mutual trust among trading partners. Without these, regional currency blocs risk replicating the very asymmetries they seek to dismantle.

It is undeniable that global macroeconomic volatility remains far more pronounced in many global South countries than in the North. This stems from structural factors such as resource dependence, volatile capital flows, narrow fiscal space, and the dominance of the US dollar in global trade and finance. As summarised in **Box 6** below, heavy reliance on a limited range of commodities makes many economies acutely vulnerable to price fluctuations. Movements in global demand for these commodities directly influence exchange rates and capital inflows or outflows, with significant implications for fiscal stability.

BOX 6
FACTORS AFFECTING THE MOVEMENT OF EXCHANGE RATES

Resource Dependence: Heavy reliance on commodities for export revenue makes countries vulnerable to price shocks. Resource dependence acts as a magnifier of external shocks, tying economic fortunes to often-volatile commodity markets.

Limited Fiscal Space: Higher debt levels and weaker institutional frameworks constrain governments' ability to implement counter-cyclical policies. Limited fiscal space erodes the government's ability to smooth out or respond effectively to downturns, frequently causing deeper recessions and sharper currency moves.

Capital Flow Sensitivity: Sudden reversals in foreign capital inflows can destabilise currencies and financial markets. Capital flow sensitivity can create rapid booms and busts, leading to swift shifts in exchange rates when global financial conditions or investor sentiment change.

These are interlinked vulnerabilities often exacerbated (amplified) by reliance on external debt and foreign investment.

Resource Dependence and Capital Flow Sensitivity: High commodity prices can attract short-term capital inflows, strengthening the local currency and creating a perception of stability. When prices drop, these flows reverse, compounding the commodity-driven collapse and precipitating sharp currency depreciation.

Resource Dependence and Limited Fiscal Space: When revenues from a key commodity fall, a government with little fiscal room struggles to cushion the blow through public spending, amplifying the economic downturn. Investor doubts about the government's ability to respond effectively may trigger currency volatility.

Capital Flow Sensitivity and Limited Fiscal Space: Limited policy tools (due to high debt or constrained budgets) make a country more vulnerable to capital outflows. Without the fiscal resources to stabilise the economy or bail out stressed sectors, exchange rate drops can be abrupt and severe.

In response, some global South countries are seeking to trade more in local currencies and reduce their over-dependence on dollar-based global financial markets as a pathway to greater macroeconomic resilience. For these economies, dedollarisation represents not only a financial adjustment but also a developmental strategy. Trading in local currency limits the effects of a volatile dollar on the domestic economy. The country's central bank has more autonomy to manage the local economy. This could help in the long run to promote stability and enable countries to undertake sustainable development within the framework of poverty eradication. However, not all countries can trade in local currency or can do so only if their major trading partner is amenable to such trading conditions. The latter reality is the case for large emerging countries such as China and Brazil. It will also be supported by intensified and more integrated South-South cooperation (SSC).

For smaller or more vulnerable states, successful dedollarisation will also require intensified and better-integrated South–South cooperation, encompassing trade settlement systems, regional financial safety nets, and shared reserves. For additional discussion, see **Section 3: Strategic Responses: Diversifying Monetary Dependencies.**

Faced with these interconnected architectures of volatility, the global South is not a passive victim but is actively constructing alternative pathways to sovereignty and stability, as the next section explores. It begins with the evolving landscape of South-led cooperation, examining how new financial and institutional architectures are emerging to re-centre agency, resilience, and justice in the global economy.

2. NAVIGATING THE FUTURE: CHALLENGES, OPPORTUNITIES, AND DECOLONIAL PATHWAYS FOR THE GLOBAL SOUTH

The combination of debt crises, external trade shocks, "green" conditionalities, and intensifying geoeconomic rivalries continues to tighten the macroeconomic stranglehold on the South. Reliance on IMF and World Bank programmes—soon to be infused with green conditionalities—re-imposes austerity and constrains public investment in health, education, and social protection (CESR, 2025). Poverty and inequality rise even as the Sustainable Development Goals drift further from reach.

From a feminist economics perspective, this outcome is neither accidental nor unforeseen. It represents the predictable result of a macroeconomic paradigm that treats fiscal balance, inflation control, and external stability as ends in themselves. This single-minded pursuit of "stability" and "growth" defined solely through market dynamics, obscures the social reproduction and care work that undergird all productive life (Elson, 1998; Benería, 2003). When governments cut social spending or compress wages, they do not eliminate costs—they transfer them to households, overwhelmingly onto women's unpaid labour.

Feminist economists have long cautioned that contractionary policies suppress demand while simultaneously eroding the social infrastructure—health, education, and care—that sustains long-term growth (Çağatay and Ertürk, 2004). This "care deficit" is more than a moral failure: it is a structural source of macro-fragility. Economies that undervalue reproductive labour and neglect the care economy are less resilient to crises, less innovative, and less inclusive. In this sense, the current global adjustment framework externalises the true costs of "stability" onto households and communities, undermining the very foundations upon which sustainable recovery depends.

A feminist economics lens reframes macro-stability as inseparable from social and ecological stability. Fiscal discipline alone cannot secure resilience; it must be underpinned by robust systems of care, health, education, and ecological balance. These form the social foundations that allow economies to recover from shocks, nurture human potential, and sustain productive life. Yet, under existing conditionalities, debt-service pressures and austerity measures continue to dismantle these very foundations, reinforcing cycles of inequality and vulnerability.

Climate change and the uneven geography of trade and investment reproduce volatility across the South. As we move deeper into the second and third decades of the twenty-first century, the global South thus stands at a crossroads. On one hand, it faces the persistence of externally imposed orthodoxies—financialised globalisation, green-conditionality regimes, and geopolitical contestation that perpetuate dependency. On the other, it holds the possibility of decolonial transformation: crafting plural, care-centred, and ecologically grounded economic frameworks rooted in solidarity, autonomy, and sustainability. Yet these efforts unfold under the enduring shadow of a neo-colonial global system—an architecture historically designed to sustain the enrichment of the North at the expense of the South (Amin, 2018; Mignolo, 2011; Quijano, 2000). The central challenge—and opportunity—is how to transform these overlapping crises into catalytic forces for decolonial renewal.

This section explores Southern-led responses to the dynamics of macroeconomic volatility, ranging from regional pathways and emerging frameworks—such as the Common African Position on Debt and Debt Sustainability (CAP), the Bridgetown Initiative (BI), and regional efforts in Asia to address macroeconomic instability and debt—to broader forms of South–South cooperation, including initiatives within the BRICS framework. **Section 4** will then elaborate how feminist economists are reconstructing macroeconomic thought around "social reproduction and care", arguing that stability depends not merely on sound finance but on the equitable distribution of time, opportunity, and well-being. For now, what is clear is that the South must forge pathways that enable resilience and equity in a world still structured by profound asymmetry.

SOUTHERN RESPONSES

In recent years, the global South has increasingly asserted itself as a decisive actor within the emerging multipolar order. Across continents, governments, intergovernmental coalitions, and grassroots movements are advancing alternative paradigms that contest Northern dominance and imagine new futures. From the South Centre's advocacy for equitable reform of international tax and financial systems (Picciotto, 2024), to the calls by Focus on the Global South and Southern Voice for debt cancellation, climate reparations, and dedollarisation (Southern Voice, 2023), these efforts articulate a shared demand for structural transformation. Building on the intellectual legacies of decolonial scholars such as Aníbal Quijano, Walter Mignolo, and Sabelo Ndlovu-Gatsheni—who expose the enduring coloniality of global power and knowledge—Southern movements and thinkers are reclaiming agency in defining pathways toward justice and sustainability (Quijano, 2000; Mignolo, 2011; Ndlovu-Gatsheni, 2020). These initiatives also encompass reform agendas for the United Nations, the Bretton Woods institutions, and the global tax architecture—each representing long-deferred demands for a more democratic and equitable system (Escobar, 2020; UNCTAD, 2024a, 2024b).

Coordinated action at the national, regional, and global levels will be essential. However, the terrain on which these actions unfold is shifting rapidly. The resurgence of nationalist economic doctrines—particularly under the second Trump administration—signals a return to an explicitly predatory, transactional, and mercantile global order (Bremmer, 2025; Gallagher and Kozul-Wright, 2022). Trump 2.0 reinforces the "law of the jungle" approach to international trade and monetary relations, privileging power over principle and bilateral coercion over multilateral cooperation. For the global South, this portends intensified vulnerability: higher borrowing costs, weaponised tariffs, and renewed pressures to align with competing geopolitical blocs. Should such an approach dominate, it risks eroding the fragile gains made toward economic self-determination and further tightening the grip of global capital on Southern economies.

Nevertheless, despite these external pressures, the South is not passive. Through multiple and often overlapping initiatives—some quiet and incremental, others loud and frontal—it is crafting a decolonial development agenda that centres the lived realities of its peoples: women, men, and children who have long borne the weight of historical and structural injustice. This movement is grounded in a plural struggle for justice—climate, economic, debt, gender, and trade—each interconnected and reinforcing the other (Santos, 2018; UNDP, 2023). Single issue focused initiatives include the longstanding, systematic push for "Loss and damage" in the UNFCCC and the push for a sovereign debt restructuring mechanism, a UN Framework Convention on Sovereign Debt, and a UN Convention on Taxation.

REGIONAL PATHWAYS AND EMERGING FRAMEWORKS

Quiet but significant progress has emerged through regional and sub-regional processes. In Africa, the African Continental Free Trade Area (AfCFTA) and the Common African Position on Debt and Debt Sustainability (CAP) seek to strengthen continental economic sovereignty (AU, 2025). The Caribbean continues to advance regional integration through CARICOM and advocacy for climate finance and reparations. CARICOM leadership on reparations has been joined by the African Union (AU). In Latin America, alliances such as the Community of Latin American and Caribbean States (CELAC), Alianza Bolivariana para los Pueblos de Nuestra América (Bolivarian Alliance for the Peoples of Our America) (ALBA), Mercado Común del Sur (Southern Common Market) (MERCOSUR), and Banco del Sur (Bank of the South which is a Latin American regional development initiative) embody a persistent search for autonomy and shared prosperity (Silva Barros and Borba Gonçalves, 2021; Armijo et al., 2024). In Asia, frameworks like the Association of Southeast Asian Nations (ASEAN), the Asian Infrastructure Investment Bank (AIIB), and the Shanghai Cooperation Organisation (SCO) deepen financial cooperation and South–South resilience. Across these networks, quiet architectures of self-reliance are taking shape.

THE COMMON AFRICAN POSITION ON DEBT AND DEBT SUSTAINABILITY (CAP)

The Common African Position on Debt and Debt Sustainability (CAP), promoted by the African Union, is part of Africa's continental process (notably the Lomé Declaration on Debt) (AU, 2025) and is anchored in the AU's Agenda 2063 ("The Africa We Want"). The CAP situates debt policy as part of long-term continental transformation and seeks to turn Africa's debt burden from a structural vulnerability into a platform for transformation. It demands unified bargaining, transparent and development-oriented financing, and stronger debt restructuring rules (including automatic suspension, comparability, and inclusion of climate risk). The CAP draft is being developed via inclusive, evidence-based processes involving AU organs, national governments, Regional Economic Communities, and technical partners including the United Nations Economic Commission for Africa (UNECA), Afreximbank, African Forum and Network on Debt and Development (AFRODAD). Hence, it is primed to avoid the potential adverse effects of a "one-size-fits all rules" approach.

BOX 7
CAP CORE TENETS

Key aspects include:

- A unified framework for negotiating with creditors, rather than each country negotiating individually. This unity is meant to strengthen Africa's leverage in multilateral and bilateral debt reforms.

- Debt must be fair, transparent, accountable, and development oriented. Thus, responsible financing means borrowing for investments in infrastructure, social sectors and climate resilience

- Reform of the G20 Common Framework toward a more effective debt restructuring architecture: The current framework is widely regarded as inadequate—slow, creditor-driven, lacking inclusivity, and ineffective for many countries. A reformed approach should establish a universally accepted methodology for comparability of treatment, ensure greater transparency, and guarantee the participation of all creditor types in restructuring processes.

- Proposal that debt servicing be suspended automatically during restructuring, eligibility be broadened (including to some middle-income countries), and a legal or supranational mechanism be considered to enforce compliance.
- Aggressive use of tools including debt suspension, relief, and cancellation especially under shocks such as climate and health to avoid countries being locked into pro-cyclical austerity.

From a macroeconomic volatility vantage standpoint, CAP's propositions promise greater predictability, reduced crisis risk, expanded policy space, and smoother responses to external shocks. It represents a push toward a more stable, equitable, and Southern-anchored international financial order—one in which debt is not a destabiliser but a managed instrument of development.

THE BRIDGETOWN INITIATIVE (BI)

Louder initiatives, such as the Bridgetown Initiative (BI), have placed global South leadership squarely at the centre of global financial debates. Conceived under the leadership of Prime Minister Mia Mottley of Barbados, the BI series—1.0, 2.0, and 3.0—has called for reform of the international financial system to close the climate and development finance gap (Government of Barbados, 2022; 2023; 2024; IMF, 2023b). While widely celebrated, critiques point to the Initiative's limited challenge to financial market orthodoxy. The hurricane and disaster clauses, though innovative, largely defer to bondholder consent and replicate the asymmetries of the current debt regime (Gallagher and Kozul-Wright, 2022; CESR, 2025).

As discussed in **Box 8** the Bridgetown platform has evolved—from liquidity relief (B1) to broader development finance (B2) and emerging proposals on credit rating, Special Drawing Rights (SDRs), and carbon pricing (B3)[34]—and is increasingly aligned with existing reform discussions in the G20 and UN *Summit of the Future* (UN, 2024b). The result is an important, though incomplete, bridge between reformist and transformative agendas. Its greatest contribution may lie not in overturning the system but in expanding the space for global South policy imagination and moral leadership. Nevertheless, the Bridgetown Initiative speaks directly to the macroeconomic volatility confronting global South economies. It reframes climate vulnerability and financial instability as intertwined dimensions of a single systemic problem—the structural asymmetry of the global financial architecture. In proposing expanded liquidity facilities, rapid debt suspension mechanisms, and innovative instruments such as climate-resilient debt clauses and SDR rechanneling, the BI seeks to mitigate the destabilising boom-bust cycles of capital flows. By calling for a permanent "Global Liquidity Mechanism" and reform of multilateral development banks to scale up concessional and counter-cyclical lending, the Initiative aims to create financial buffers that would allow global South countries to pursue counter-cyclical policies and thus avoid austerity during crises. In this sense, Bridgetown 3.0 positions itself not merely as a climate finance agenda but as a blueprint for macroeconomic stabilisation—one that links resilience, liquidity, and global equity. For many Southern economies, the path to reducing volatility runs through global monetary and governance reform, not only domestic prudence.

BOX 8
THE BRIDGETOWN INITIATIVE (BI)

The Bridgetown Initiative for reform of the international financial architecture consisted of a series of iterative discussions and proposals ostensibly around the reform of the international financial architecture (IFA) but really narrowed down to promoting climate and development finance.

The BI was released in the autumn of 2022 and is celebrated for having an impact on the UNFCCC COP in Sharm-el-Sheik and for attracting the attention of President Macron of France and inspiring his Summit for New Global Financing Pact (France 2023)[35]. It was followed by Bridgetown 2.0 (Bonn summit 2023) and was merged with the SDG stimulus package of Gutierrez for the SIDS conference. BI 3.0 was released in June 2024 (Government of Barbados, 2024)

The BI is focused on a "paradigm shift in the discourse on scaling capital flows and reshaping the financing system to achieve the SDGs and spur climate action" (Government of Barbados , 2024: 2).While a step in the right direction there are certain deficiencies as originally proposed. The subsequent iterations, though attempting to be more comprehensive, seem to weaken with each new round. Overall, the BI eschewed multilateral processes in favour of single country advocacy. This has left no power for the debtor as the current system is heavily skewed in favour of creditors. As noted by many observers, for example, the bond and hurricane clause transfers most of the burden to global South countries not to the credit market[36] with much of the decision-making to bondholders. Given the emphasis on a case-by-case basis approval of "the Clause", vulnerable countries remain at a severe disadvantage because if the consensus of bondholders goes against the clause, the debtor will be considered in default. So, although novel in its approach, implementation of the BI mechanism follows the traditional debt restructuring process with all the usual disadvantages to the debtor country and no real challenge to the private creditors/financial market. Ultimately, what is needed is a multilateral arrangement for enforcing "force majeure", which is already a part of financial instruments in international law, but not applied in the case of global South countries' sovereign debt for cases of natural disasters.

Hence, it was very easy for the BI to be embraced by global North countries and it fits in with the Wall Street Consensus/the neoliberal paradigm. It's not a path out of the old framework or a way into a new paradigm – a new transformative direction. But, in the sense that it is couched in a bigger framework of looking at development finance especially with regard to the later evolution, the BI might be a needed and useful bridge to cross over into that direction. As noted during a Bretton Woods Project consultation (BWP, 2023), the Bridgetown Initiative has in effect opened the right doors but has not yet walked through them.

In this sense, the Common African Position on Debt and Debt Sustainability is highly complementary to the Bridgetown Initiative. Both initiatives envision debt relief as central to restoring fiscal resilience, criticise the slowness and inadequacy of the G20 Common Framework and embed shock-sensitive mechanisms (e.g. disaster clauses) in borrowing regimes.

Beyond the Bridgetown Initiative, several other global South-led initiatives on debt aim to address the structural inequalities in global debt systems, provide debt relief, and advocate for systemic reforms. These initiatives, coming from national governments, regional blocs, and civil society organisations in the global South, demonstrate growing momentum for systemic reform of the global debt architecture. For example, there was already a process in the UN led by global South countries (particularly from Latin America) for a multilateral debt workout mechanism – the G77+China, African Union, and various global South nations have sought to establish a UN Sovereign Debt Restructuring Mechanism to replace the creditor-dominated system under the Paris Club and private lending frameworks. A UN framework would ensure equitable treatment and transparency in debt resolution processes. These efforts challenge the inequalities of current systems, seek to integrate innovative mechanisms and push for fairer, more inclusive frameworks under institutions like the United Nations. Together, they reflect a vision of justice and sustainability rooted in the lived experiences of global South men and women.

LATIN AMERICAN INITIATIVES

Latin America's regional initiatives reflect long-standing ambitions for autonomy and financial self-determination, but these ambitions have not yet crystallised into durable stabilisation or debt-management architectures. Latin America has many regional blocs and institutions such as Banco del Sur that have (or have aspired to have) frameworks, instruments, or proposals to manage debt, finance, or macroeconomic volatility. But their capacity, coherence, and implementation have been limited or uneven. Latin American regional financial initiatives have been repeatedly disrupted by electoral cycles, ideological reversals, and external pressures, preventing institutional maturation, capitalisation, and continuity. Currently, there is no systemic proposal that is focused on global liquidity mechanisms, shock-responsive debt instruments, universal creditor participation, or structural reforms of governance similar to the CAP and BI processes.

A few mechanisms seek regionally grounded responses to debt and finance but for the most part they are shallow, fragmented, or underpowered. They tend to focus on development banking or trade facilitation rather than stabilisation, countercyclical support, or debt workout regimes. The instruments and mechanisms of financial institutions such as the Bank of ALBA (The Bolivarian Alliance for the Peoples of Our America) have been "incipient" and fragile; their scale and consistency remain limited. Political shifts—marked by sharp ideological oscillation between left-leaning regionalism and pro-market-orientation—alongside resource constraints and external pressures, have eroded the capacity of grouping such as ALBA to act as a durable buffer against macroeconomic volatility. Undeniably, successive governments have withdrawn political backing, altered mandates, or deprioritised regional financial integration[37]. This along with resource constraints, and external pressures have eroded the capacity for entities such as ALBA to act as a strong buffer against macroeconomic volatility. ALBA does not have a robust mechanism for debt restructuring, stabilisation, or shock absorption across members.

Latin America's constraint is political discontinuity, not lack of imagination. As a result, Latin America lacks a regional financial safety net comparable to Africa's emerging continental position or Asia's reserve-pooling and surveillance mechanisms, leaving macroeconomic volatility largely unbuffered at the regional level. In terms of macroeconomic volatility, these regional frameworks could (if fully implemented and scaled) help reduce vulnerability by providing regional buffers, pooling risk, and insulating members from external shocks. Regional institutions can help coordinate macro policy responses, set common standards, and push collective mechanisms (e.g. regional stabilisation funds) that act as insurance against external shocks. But in their current state, they fall short of being effective tools to absorb volatility. In order to meet the challenge of macro volatility at scale, they would need to be deepened, linked internationally (i.e. into global reforms like BI), and endowed with stronger institutional authority, capital, and enforcement. Feminist political economy perspectives further suggest that the fragility of Latin American regional financial initiatives reflects not only political volatility but the failure to embed macroeconomic coordination within strategies that stabilise social reproduction, care systems, and everyday livelihoods—thereby weakening both popular legitimacy and institutional durability[38].

REGIONAL EFFORTS IN ASIA

Across Asia, governments and regional institutions have developed one of the most sophisticated frameworks globally for managing macroeconomic volatility and sovereign debt stress. The cornerstone is the ASEAN+3 financial safety net, composed of the Chiang Mai Initiative Multilateralisation (CMIM) and its surveillance arm, the ASEAN+3 Macroeconomic Research Office (AMRO) (AMRO, 2022). The CMIM, now valued at approximately USD240 billion, functions as a regional reserve pooling and swap arrangement providing liquidity support during balance-of-payments crises. Its creation was inspired by the 1997–98 Asian financial crisis and is intended to complement rather than replace IMF facilities (ADB, n.d.b). AMRO conducts macroeconomic surveillance, policy coordination, and early warning assessments to strengthen the region's financial stability and ensure CMIM readiness (AMRO, n.d.). Together, these mechanisms operate as Asia's self-insurance system against sudden capital flow reversals and external shocks. Parallel ASEAN+3 initiatives such as the Asian Bond Markets Initiative (ABMI) and Asian Bond Funds (ABF 1 and 2) have deepened local-currency bond markets and mitigated the "double mismatch" of currency and maturity that historically amplified regional crises (ADB, 2025). Recent policy innovations—like the ASEAN Local Currency Transactions Framework and the establishment of regional cross-border payment linkages—extend this stabilisation logic to trade and investment by facilitating settlement in domestic currencies, reducing exposure to US dollar volatility (Global Law Experts, 2025)

Beyond the ASEAN+3 grouping, several complementary mechanisms across South and Pacific Asia strengthen crisis resilience and address debt. The South Asian Association for Regional Cooperation Currency Swap Framework (renewed in 2024) enables short-term balance-of-payments support for member central banks, while India's new rupee-denominated credit and settlement arrangements reduce dependence on external hard-currency borrowing. The Asian Development Bank (ADB) and Asian Infrastructure Investment Bank (AIIB) have operationalised countercyclical lending tools, notably ADB's Countercyclical Support Facility and the AIIB's Crisis Recovery Facility, to maintain fiscal space and avert austerity during downturns (AIIB, 2023). Likewise, emerging facilities such as the ASEAN Catalytic Green Finance Facility[39] and the Pacific Resilience Facility[40] provide grant-based or derisked finance for climate adaptation and infrastructure without worsening debt burdens. Collectively, these arrangements form Asia's equivalent to the Bridgetown Initiative and the African Union's Common African Position on Debt and Debt Sustainability—a pragmatic regional ecosystem combining liquidity buffers, local-currency finance, and resilience funding to lessen the cyclical vulnerabilities of the global South (Jian et al., 2025).

Even as macroeconomic volatility itself is both a driver and a constraint for deeper South–South integration, Asia's experience represents both a **model** and an **instrument** of South–South cooperation (SSC) in action. The evolution of Asia's regional financial architecture exemplifies SSC in practice—countries of the global South pooling resources, sharing policy know-how, and designing institutions outside traditional Northern-dominated frameworks. Mechanisms such as the CMIM, ABMI, and ACGF demonstrate that cooperative financial self-insurance can reduce collective vulnerability to macroeconomic volatility, while deepening regional integration and policy autonomy. Additionally, initiatives such as the Bridgetown Initiative and the Common African Position on Debt and Debt Sustainability matter because they seek to address systemic inequities. These global South initiatives highlight the need to reform debt systems that disproportionately burden these countries with unsustainable repayments. They also link debt relief to climate resilience and sustainable development to address some of the root causes of financial vulnerability. Overall, there is a push for global solidarity in challenging global North-dominated systems and promoting collective action by countries from the South.

These arrangements echo the broader South–South logic of solidarity, mutual learning, and shared development—linking Asia's experience to parallel initiatives in Africa, Latin America, and the Caribbean. In this sense, managing volatility through regional coordination is not merely a technocratic exercise, but a manifestation of a South-South developmental ethos that privileges resilience, equity, and autonomy over dependence.

BOX 9
NON-BRICS, NON-WESTERN, NON-HEGEMONIC FINANCIAL POWER

Beyond BRICS and China-led lending, new South–South and hybrid institutions are reshaping development finance: Development Bank of Latin America, rebranded in 2024 to include Caribbean members and expand counter-cyclical credit lines; Afreximbank's Creative Industry Facility and Resilience Bond Frameworks which link export financing to small and medium enterprise and social sector investment; and which under its "Global Africa" framework, extend trade finance, infrastructure credit and technical assistance to the Caribbean; ASEAN Infrastructure Fund (AIF), co-managed by ADB, which mobilises regional capital through local-currency bonds for transport and energy; and OPEC Fund for International Development (OFID) which shifts toward concessional lending in euros and local currencies. These actors represent a third pole of financial power: non-BRICS, non-Western, and non-hegemonic. They expand liquidity sovereignty without replicating IMF-style conditionalities. Across Africa, Asia, Latin America, and the Caribbean, governments and regional institutions are building hybrid systems that blend fiscal prudence, regional liquidity support, and sustainability-linked finance. These mechanisms aim not only to insulate economies from the volatility of the global financial core but also to reclaim developmental space within a turbulent international order marked by tightening US monetary policy, geopolitical fragmentation, and climate shocks.

While the US dollar remains dominant in global finance, alternative mechanisms are gaining traction. Central bankers are also increasing allocation to gold or non-USD reserve assets as part of a diversification strategy. Initiatives, both proposed, in ideation, or in an experimental phase, such as the African Union's Agenda 2063's anticipation that the Pan African Payment and Settlement System will ultimately give rise to the interoperability of Africa's forty-two currencies.[41] In addition, the Multiple Central Bank Digital Currency Bridge (M-Bridge)[42] facilitates cross-border digital payments, and other innovations which demonstrate the potential for financial systems that prioritise local sovereignty over reliance on the US dollar and Western-led institutions.

FROM FRAGMENTATION TO CONVERGENCE: SOUTH–SOUTH COOPERATION (SSC)

Despite the multiple initiatives emerging from the global South, however, much of the effort remains fragmented and there is a lack of coordination. Ultimately, the global South lacks a cohesive unified approach to major global issues like trade reform and financial governance. There remains tremendous reliance on external financing. The need for enhanced coordination among global South initiatives is therefore now paramount and South–South Cooperation (SSC) is re-emerging as a vital instrument of decolonial praxis—anchored in solidarity, mutual learning, and autonomy (UN, 2025; Chen, 2024; Ghosh, 2024).

SSC's scope now extends beyond traditional technical exchange to include infrastructure development, climate resilience, technology transfer, and financial sovereignty. In Africa, initiatives such as the Pan-African Payment and Settlement System (PAPSS) are designed to promote local-currency trade and reduce dependence on the US dollar (Afreximbank, 2023). In Asia, the Chiang Mai Initiative Multilateralisation (CMIM) and related regional swap lines strengthen financial safety nets. In Latin America, renewed attention to Banco del Sur and regional reserve funds reflects a desire to insulate the region from global volatility.

Despite conflict and power imbalances within the South, some nations such as China, India and Brazil have become major players in SSC, often acting as both partners and influencers. A few are also regional powerhouses, notably, South Africa (in Africa), Indonesia (in Southeast Asia), and Brazil (in Latin America). These nations champion SSC by facilitating knowledge-sharing in areas such as public health, education, agriculture, and technology. SSC is ongoing and strengthening in the areas of economic growth and the decolonisation of trade,[43] infrastructure development, technology exchange,[44] climate resilience, disaster risk reduction and even debt relief and financial sovereignty.

China's role, however, warrants particular qualification given the scale of its economy and financing capacity, which renders forms of asymmetry difficult to avoid. While Chinese-led infrastructure and development finance—most notably under the Belt and Road Initiative—has expanded fiscal space and delivered tangible economic gains in many partner countries, it has also generated environmental concerns and new debt vulnerabilities, as seen in cases such as the Maya Train in Mexico and the Standard Gauge Railway in Kenya. Moreover, China's position as a major creditor has at times limited its alignment with G77 calls for more expansive debt justice. These tensions underscore both the possibilities and contradictions embedded within contemporary South–South cooperation.

Simultaneously, a broader coalition of small and middle-income countries is asserting an amplified collective voice in multilateral fora, from the IMF to the UN. These efforts, grounded in the historical spirit of Bandung, reflect the re-emergence of a moral and political project: the re-humanisation of the global economy (Escobar, 2020; Santos, 2018). There is a growing trend towards strengthened multilateral advocacy on both political and economic grounds and carrying forward the Bandung spirit of political solidarity and anti-imperialism. While groups such as G77+China, Alliance of Small Island States, etc. dominate on the political and negotiation aspect of climate and the social in international forums such as the UNFCCC and the WTO, they do not operate at the deep level that is critical for shaping the response to macro structural challenges. The concretisation of this vision must be grounded in the building of alternative frameworks, institutions and mechanisms that support global South countries' growth and prosperity. This is certainly the case with the rise of the BRICS intergovernmental forum, the best example of the combination of both political and economic advocacy, that stands the best chance of shifting the balance between the global North and the global South.

BRICS AND THE NEW FINANCIAL GEOGRAPHY[45]

The BRICS, composed of Brazil, Russia, India, China, and South Africa (and now expanded to ten countries including Indonesia and Nigeria among others), reflects a growing community of nations committed to reshaping global governance. The BRICS platform for financial cooperation, institutional innovation, and systemic reform aims to reduce vulnerability to external shocks, enhance collective financial autonomy, and reshape the governance of the global monetary system. At its core, the BRICS financial architecture seeks to mitigate macroeconomic volatility by creating alternative liquidity buffers, promoting local-currency finance, and reforming the international financial architecture perceived as inequitable and pro-cyclical. Hence, collectively, BRICS financial mechanisms contribute to macro-stability through three key channels: (1) Liquidity Assurance: The Contingent Reserve Arrangement (CRA) cushions short-term capital-flow volatility; (2) Reduced Currency Mismatch: New Development Bank's (NDB) local-currency lending lessens exposure to dollar cycles and sudden-stop crises; and, (3) Structural Independence: Dedollarisation and alternative payment systems reduce vulnerability to global financial tightening and geopolitical shocks. **Table 4** provides additional detail to these mechanisms. Full exploration of BRICS is undertaken in Williams (2025).

Table 4: BRICS's Toolkit: Financial Safety Architecture

THE NEW DEVELOPMENT BANK (NDB) OFFERS COUNTERCYCLICAL AND SUSTAINABLE LENDING	The NDB provides medium-term financing for infrastructure, sustainable development, and climate projects in member countries. It prioritises country ownership, local-currency lending, and policy autonomy. • Local Currency Lending: The NDB has issued bonds in yuan, rand, and rupees to finance local projects—reducing currency mismatch risk and insulating borrowers from US interest-rate cycles. • Countercyclical Role: By offering loans during downturns or when global credit tightens, the NDB provides a regional stabiliser that supports fiscal space without IMF-style conditionalities Sustainability Focus: With 40 per cent of its portfolio devoted to green and resilient infrastructure, the NDB also addresses climate-linked volatility, a rising driver of macroeconomic stress in emerging economies.
THE CONTINGENT RESERVE ARRANGEMENT (CRA): LIQUIDITY AND CRISIS INSURANCE	The BRICS CRA is a USD100 billion currency-swap mechanism designed to provide short-term balance-of-payments and liquidity support. Its purpose is to prevent sudden-stop crises and exchange-rate collapses during capital outflows or dollar shortages. Members can access a portion of their quota automatically (typically 30 per cent), with additional tranches available subject to macro-stability commitments. The CRA offers a Southern alternative to the IMF's precautionary credit lines and complements regional safety nets like the Chiang Mai Initiative.
CURRENCY COOPERATION AND DEDOLLARISATION INITIATIVES	These mechanisms collectively enhance monetary sovereignty and reduce imported volatility stemming from US rate hikes and dollar liquidity shortages. The BRICS countries are advancing a suite of currency and payment system initiatives to reduce exposure to the US dollar and Western financial sanctions. These include: **• Local-Currency Trade Settlement:** Expansion of bilateral and intra-BRICS settlement in national currencies (CNY-INR, BRL-ZAR)[46] to lower foreign exchange-related transaction costs. **• BRICS Pay / BRICS Bridge:** Digital payment and messaging systems under development to enable cross-border transactions without relying on the Society for Worldwide Interbank Financial Telecommunication (SWIFT). **• Proposal for a BRICS Unit of Account or Reserve Currency:** Currently exploratory, this initiative would use a basket of member currencies to denominate trade and debt, thereby stabilising exchange-rate swings.
DEVELOPMENT OF CAPITAL MARKETS AND FINANCIAL INTEGRATION.	The creation of integrated bond and credit markets recycles Southern savings into Southern investment. • The BRICS Bond Fund proposal—still under negotiation—would mobilise regional institutional investors to support infrastructure and green finance. • The BRICS Interbank Cooperation Mechanism (launched 2017) connects development banks and export-credit agencies to coordinate co-financing and guarantee frameworks. • These efforts aim to deepen South–South financial intermediation, reducing reliance on volatile external capital flows.

REFORM OF THE GLOBAL FINANCIAL ARCHITECTURE.	Beyond its internal mechanisms, the BRICS bloc consistently advocates for structural reform of global financial governance, emphasising: • Redistribution of voting power in the IMF and World Bank to better represent developing economies. • The creation of a multipolar reserve system anchored in multiple currencies, including the RMB, to stabilise global liquidity. • Coordination of positions in G20 and UN Financing for Development processes to advance debt sustainability, SDR reallocations, and fairer credit-rating methodologies (UNCTAD, 2024a).

By leveraging their combined economic and trading power, BRICS aims to reduce dependency on the volatile global financial system, challenge the dominance of the US-led financial system and bypass the US dollar in trade transactions by advancing the dedollarisation agenda.

SOUTH-LED TRADE AND MONETARY COOPERATION FRAMEWORKS

However, these two dominant narratives in South-led financial reform—**currency sovereignty** (BRICS) and **debt sustainability** (Bridgetown) do not encompass the full spectrum of Southern innovations to achieve macroeconomic resilience. A rich and diverse ecosystem of strategies is emerging with more pragmatic, regional solutions focusing on specific vulnerabilities. They can be clustered across five categories from regional safety nets and sovereign funds to coordination platforms—showing how countries and coalitions are addressing exchange-rate, debt, and capital-flow volatility, often quietly and pragmatically. This new wave is distinguished by its pragmatic pluralism—the capacity to combine orthodox macro tools (like stabilisation funds and local bond markets) with heterodox innovations (like diaspora-backed credit lines or climate-contingent bonds). These approaches collectively define a “third frontier” of global South financial resilience that expands beyond the reform rhetoric of global summits and builds “practical sovereignty” from the bottom up.

Table 5: Macro-Volatility Management Framework

CATEGORY	MECHANISM	VOLATILITY-MANAGEMENT FUNCTION	EXAMPLE
Regional Safety Nets	Reserve pooling / local currency swaps	Provides liquidity and shields foreign exchange reserves	Chiang Mai Initiative Multilateralisation (CMIM), Latin American Reserve Fund (FLAR), Afreximbank Fund

CATEGORY	MECHANISM	VOLATILITY-MANAGEMENT FUNCTION	EXAMPLE
Sovereign Wealth Funds (SWFs)[47]	Counter-cyclical SWFs	Smoothes commodity & fiscal shocks	Chile, Botswana, Indonesia
Debt Innovation	State-contingent bonds, swaps	Absorbs exogenous shocks via design	Belize, Barbados, Ghana
Hybrid Finance	Regional & South–South banks	Expands non-dollar, non-conditional credit	Development Bank of Latin America and the Caribbean (CAF), ASEAN Infrastructure Fund (AIF), OPEC Fund for International Development (OFID)
Coordination Platforms	Policy harmonisation	Enhances anticipatory governance	United Nations Economic Commission for Latin America and the Caribbean (ECLAC), South Centre, Caribbean Community (CARICOM)

TOWARD A JUSTICE-BASED VOLATILITY ARCHITECTURE

Across these cases, the global South demonstrates a sophisticated turn toward endogenous resilience — reimagining financial systems not merely to absorb shocks but to redistribute risk and opportunity. However, for these models to deliver transformative justice, they must move from stability for its own sake to stability as a means of equity. That shift requires:

- Institutional democratisation (inclusive governance and participatory oversight).
- Intersectional budgeting (integrating gender, care, and climate indicators).
- Fiscal–ecological coherence (aligning macro-stability tools with planetary boundaries).
- Regional solidarity mechanisms that redistribute liquidity across asymmetrical economies;.
- Alternative valuation frameworks that prioritise social reproduction and environmental regeneration as indicators of financial health.

In essence, the path forward lies in transforming macro-volatility management into an infrastructure for justice — one where financial innovation becomes a moral and ecological project, not just an economic one.

THE DEDOLLARISATION AGENDA

Dedollarisation is the intentional process by which countries, institutions or markets reduce their reliance on the US dollar in international transactions, reserve holdings (reserves diversification),[48] trade invoicing,[49] borrowing,[50] and payment systems[51] (Wikipedia, n.d.b; J.P. Morgan, 2025). It is emerging as a persistent and consistent theme in global finance and geopolitical realignment. The drive towards dedollarisation is driven by the increasing weaponisation of the US dollar and international payment systems, and sanctions as well as volatility in the movement of the dollar and the adverse impact of dollar dependency in some regions of the world. Countries may also pursue dedollarisation in order to reduce their vulnerability to US monetary policy (sovereign autonomy), for geopolitical rebalancing and to manage interest costs. The latter is the case of Kenya which in October 2025 formally converted a USD5 billion Chinese railway loan (for the Standard Gauge Railway) from US dollar terms into the Chinese yuan (RMB). The country argued that its external debt was heavily concentrated in dollars, exposing it to volatility when the US rate cycle turned. By converting to RMB, it tried to spread currency risk and gain relief from high dollar interest rates. **Box 10** presents some lessons from the Kenya dollar-to-yuan swap.

BOX 10
LESSONS FROM KENYA'S SHIFT FROM USD TO RMB DEBT

Context

In October 2025, Kenya converted roughly USD5 billion in Chinese-financed railway loans from US dollar to Chinese yuan (RMB) denomination. This move—negotiated with the Export-Import Bank of China—was projected to save about USD215 million annually in interest payments (IDN Financials, 2025; Miriri, 2025). It also reduced the share of dollar-denominated external debt from over 50 per cent to under 48 per cent, diversifying Kenya's currency exposure and aligning with China's goal of expanding RMB internationalisation. Kenya's strategic move holds important policy lessons for other global South countries.

Strategic Rationale

- Debt-Service Relief: RMB loans carry lower interest rates than comparable USD loans, easing near-term fiscal stress.

• Currency Diversification: Shifting part of the debt stock to RMB mitigates exposure to US rate hikes and dollar volatility.

• South–South Alignment: The conversion underscores a form of financial South–South cooperation between Kenya and China—anchored in mutual benefit and reduced dependency on Northern financial institutions.

• Symbolic Sovereignty: Re-denomination in yuan signals proactive debt management and a bid to regain autonomy in financial policy.

Key Lessons for Global South Economies

1. Diversification, not Replacement: Currency re-denomination can smooth volatility, but only if combined with prudent macro management and reserves in the new currency.

2. Transparency is Critical: Disclosure of terms, maturity, and rate differentials prevents misperception that re-denomination hides restructuring.

3. Limited Hedging Tools: RMB liquidity and derivative markets remain shallow in most developing countries, constraining risk management.

4. Partial Relief: Re-denomination eases fiscal pressure but does not alter the overall debt burden—most of Kenya's liabilities remain in USD or EUR.

5. Political and Geoeconomic Effects: While strengthening China ties, such moves may tilt external alignment or affect future multilateral negotiations.

6. Replication Potential: Other African and Asian states (e.g., Ghana, Nigeria, Pakistan, and Sri Lanka) have explored RMB settlement mechanisms and could replicate the Kenyan approach if supported by swap lines or bilateral credit facilities.

Policy Implications

• For Borrowing States: Incorporate multi-currency risk management into debt strategies; negotiate access to RMB liquidity via swap lines with the People's Bank of China.

• For Regional Blocs (such as the AU, ASEAN, BRICS): Explore collective RMB facilities or regional settlement systems to hedge dollar exposure.

• For Global Governance: The case signals an accelerating trend of dedollarisation through South–South financial cooperation, reshaping the geography of macroeconomic stability mechanisms.

Dedollarisation is challenging so it is usually a gradual, partial and segmented process rather than a quick and drastic action. There are strong constraints on such a move including that many contracts and commodities as well as cross-border trades and financial flows are dollar-based so shifting is costly and slow. Additionally, there is the issue of market confidence and investor trust, coordination and leakage issues (a country's partners may require USD involvement). The US treasury market and dollar financial markets remain large, deep and liquid and there are no easy substitutes. See **Appendix 2** for more detailed discussion about dedollarisation.

Even within BRICS, dedollarisation has challenges and pitfalls. Primary among them is the concern about the role of China. As discussed in **Box 12** the role of China can contribute to endogenous structural and macro factors at play in BRICS. China's predominance within BRICS embodies a paradox at the core of the emerging multipolar financial order. On one hand, Beijing's scale, liquidity reserves, and institutional initiative have accelerated the bloc's capacity to challenge dollar hegemony and experiment with local-currency trade, digital payment systems, and alternative liquidity pools. On the other hand, this very dominance risks reproducing the same hierarchies of dependency and asymmetric adjustment that BRICS was meant to transcend (Gallagher and Kozul-Wright, 2022). The transition away from the dollar, therefore, is not only a technical process of currency diversification but a political and epistemic negotiation over what kind of multipolarity the global South will inherit: one centred on a new hegemon, or one grounded in plural, decentralised, and solidaristic financial cooperation. How BRICS resolves this tension — between China-anchored pragmatism and genuinely collective sovereignty — will determine whether dedollarisation becomes a pathway to emancipation or merely a shift in dependency (UNCTAD, 2024b).

BRICS initiatives—such as the New Development Bank and local-currency lending frameworks and other mechanisms – represent incipient experiments in monetary pluralism and multipolar governance. Whether they evolve into instruments of genuine systemic transformation will depend on their ability to anchor equity, solidarity, and environmental stewardship at the heart of their design—principles that define the decolonial project itself. Without a doubt, they are emblematic of the broader global South aspiration to diversify financial power and reduce dollar dependency (UNCTAD, 2024b; Ocampo, 2017). However, as analysts caution, the BRICS remains a complementary, not revolutionary, force—more reformist than transformative (Carmody, 2024). While the BRICS presents its financial architecture as a stabilising counterweight to a volatile, dollar-dominated system, as noted in **Box 11**, a critical examination reveals significant limitations in its capacity to genuinely insulate the global South from macroeconomic instability.

BOX 11
BRICS ASYMMETRIES, FINANCIAL GOVERNANCE, AND MACROECONOMIC VOLATILITY

The core institutions—the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA)—offer only a partial and contingent buffer. The CRA's USD100 billion fund is minuscule relative to the size of the IMF funds as well as unlikely to be able to handle large-scale capital flight from emerging markets. It is also reliant on the IMF monitoring programme for large withdrawals, thereby replicating the very conditionalities it seeks to circumvent.

The NDB's local-currency lending and infrastructure, while reducing currency mismatch risk, has not yet achieved the scale or speed to provide a systemic counter-cyclical force during widespread downturns. Its project portfolio often mirrors the large, physical infrastructure bias of traditional development banks without a proven framework for stabilising economies in crisis (Carmody, 2024).

Furthermore, BRICS is internally heterogeneous, comprising both commodity exporters and importers with divergent and often competing interests regarding global commodity prices and monetary policy, which undermines a cohesive, counter-volatility strategy (Stuenkel, 2020).

There are also concerns about the dominant role of China as a potential hegemon within the BRICS. Current structural and macroeconomic concerns in BRICS mirror the very asymmetries BRICS seeks to overcome. China accounts for nearly 70 per cent of BRICS's total GDP and commands a dominant role in both the NDB and CRA. This imbalance creates a perception that BRICS risks reproducing a China-centric hierarchy, in which financial decision-making, currency influence, and credit allocation tilt toward Beijing's strategic interests UNCTAD, 2024b).

At the macro level, several volatility-related risks emerge:

1. Currency and Interest-Rate Spillovers: The yuan's growing internationalisation — through swap lines, Belt and Road lending, and BRICS Pay or M-Bridge initiatives — exposes other members to Chinese monetary policy cycles (IMF, 2023a) When the People's Bank of China tightens or intervenes to manage domestic credit bubbles, spillovers can transmit through trade, capital, and exchange-rate channels, amplifying volatility across smaller BRICS economies.

2. Debt and Credit Dependence: China's bilateral lending to BRICS and other global South partners (often via the China Development Bank and Exim Bank) raises concerns about hidden debt vulnerabilities and opaque terms. In the event of Chinese growth slowdowns or capital retrenchment, these linkages can generate sudden liquidity stress and contagion — precisely the dynamics the CRA was designed to prevent (IMF, 2023a).

3. Trade Concentration and External Shocks: As many BRICS and global South economies are now tightly integrated into Chinese value chains and commodity demand cycles, a downturn in Chinese consumption or construction can trigger synchronised export and revenue shocks, aggravating global macro volatility.

4. Governance and Representation: Although BRICS institutions were established to promote multipolarity, the concentration of voting shares and headquarters in China (e.g., the NDB's Shanghai base) has led to calls for more balanced governance and regional rotation mechanisms. Without such checks, China's dominance risks undermining collective legitimacy and discouraging broader global South participation.

Most critically, the BRICS model remains largely silent on the gendered and social dimensions of volatility. Its focus on macroeconomic resilience does not extend to mandating gender-responsive fiscal policies or protecting social spending during adjustments, meaning its version of stability may still come at the cost of increased austerity and precarity for the most vulnerable populations, particularly women (WEDO, 2023; Williams, 2025).

Therefore, while BRICS provides a crucial geopolitical alternative and modest financial buffers, it currently functions as a complementary, reformist force within the existing volatile system rather than a transformative one capable of fundamentally rewriting its rules to prioritise equitable and social stability over purely financial stabilisation.

Yet these incipient experiments in South–South financial cooperation do not occur in a vacuum. The same forces that drive the global South to imagine new architectures of solidarity also deepen the volatility of the global system itself. As the promise of multilateralism falters, and as geopolitical rivalries harden into economic warfare, the scope for cooperative renewal narrows. The next section turns to this broader context—the deteriorating global environment in which the struggle for a decolonial and equitable order must now unfold.

3. THE HOSTILE GEOPOLITICAL ENVIRONMENT

The macroeconomic architectures of volatility detailed in the previous section—the debt stranglehold, asymmetrical trade, and climate-fuelled instability—do not exist in a political vacuum. They are actively amplified and weaponised within a rapidly deteriorating geopolitical order. This section argues that the current era is defined by a deliberate securitisation of economic policy, where the tools of finance and resource competition are wielded as instruments of coercion. This hostile environment transforms the systemic vulnerabilities of the global South from conditions of risk into active fronts of geopolitical contestation. Understanding this shift is essential, as it makes the quest for alternative, decolonial frameworks—explored in the subsequent sections—not merely a matter of equity, but a fundamental imperative for sovereign survival. Faith in global governance is tottering on its two remaining wobbly legs—trade and finance—with its commitments to human rights and poverty eradication having largely collapsed. This erosion of confidence is widespread, fuelled by the failure of multilateralism to deliver on promises of social stability, sustainability, and economic security. As noted in Section 1, populations worldwide have experienced rising inequality, instability, and growing uncertainties in employment and living conditions, while a tiny group of ultra-wealthy individuals has reaped disproportionate gains (Hickel, 2020; UNCTAD, 2024b).

The Trump 2.0 administration's reinstatement of an explicitly predatory, mercantile, and zero-sum approach to diplomacy is weakening global governance institutions and eroding the already fragile multilateral order (Gallagher and Kozul-Wright 2022). It has re-legitimised the politics of go-it-alone, power-based transactional bargaining, sidelining long-fought commitments to collective action. The momentum to reform the UN, IMF, WTO, and the 2030 Agenda processes that address economic, gender, and social injustices has stalled. Key frameworks for justice—such as debt relief, global financial reform, and the creation of redistribution mechanisms like a global tax body—remain paralysed. Similarly, climate justice, which requires accountability for historical emitters and financing for adaptation and reparations, faces extreme headwinds. Both global North and South countries are in a decaying geoeconomics world (Luttwak, 1990; Strange, 2015).

THE NEW RESOURCE AND SECURITY FRONTIERS: THE SCRAMBLE FOR TRANSITION MINERALS

This internal decay unfolds against a backdrop of securitised competition for geostrategic resources and a resurgent "law of the jungle" geopolitical approach from the global North led by the US. This geopolitical weaponisation is starkly visible in the escalating global competition for the mineral foundations of the green and digital transitions. What is often framed as a mere supply chain issue is, in practice, a new form of "green mercantilism" where the energy security of the global North is pursued through the strategic control of resources located predominantly in the global South. This dynamic actively reproduces colonial patterns of extraction, displacing communities, degrading environments, and fuelling instability in resource-rich regions—all while the profits and technological benefits are largely accrued elsewhere.

The targets of this scramble are not generic commodities, but a specific, highly strategic group of minerals essential for everything from electric vehicle batteries and renewable energy systems to advanced defence technologies. Thus, the competition for critical minerals is not monolithic; it targets specific resources foundational to twenty-first century power. See **Box 12.**

BOX 12
THE SCRAMBLE FOR CRITICAL MINERALS

Key categories relate to technological use:

1) **The Battery Core:** Lithium, cobalt, graphite, nickel for energy storage and electric mobility.

2) **Rare Earth Elements:** Neodymium, dysprosium for the powerful magnets in electric vehicle motors and wind turbines.

3) **The Electrification Foundation:** Copper and aluminium for building a renewable energy grid. These so-called foundational resources are important for building the infrastructure of an electrified, renewable-powered world.

   a. **Copper:** The "metal of electrification" is used in everything from electric vehicle motors and windings to electrical wiring, transformers, and grid infrastructure. Demand for it is projected to skyrocket.
   b. **Aluminium:** Lightweight and conductive, crucial for electricity transmission lines and lightweight vehicle parts.
   c. **Silicon:** A key component in solar panels and semiconductors.

4) **High-Tech and Defence Enablers:** (Gallium, germanium, tantalum) for semiconductors, fibre optics, advanced radar systems and advanced weaponry. This grouping is vital for advanced computing, technology, and military applications.

5) **Others, such as the Platinum Group of Metals** (platinum, palladium) are important for use in catalytic converters for vehicles, hydrogen fuel cells, and medical devices; tantalum is also essential for capacitors in smartphones, laptops, and other electronics.

This categorisation reveals the precise vectors of dependency and the points of maximum geopolitical tension, as control over these supply chains equates to control over the green and digital transitions. These prized resources are most easily located and most easily accessible in the countries across the South. This "green mercantilism", weaponisation of trade policy, and the security-development nexus is very evident in the scramble for lithium, cobalt, and rare earths—all central to the green-energy transition—across Africa, Latin America, and parts of Asia.[52] External powers—old and new—are embedding mining concessions, infrastructure corridors, and security arrangements into their foreign policies, often at the expense of local sovereignty. The green transition has paradoxically triggered a new resource race, with external powers militarising supply chains in the name of "energy security", which is also intensifying and reinforcing unequal trade relations. Hence, this new "green mercantilism", extractivist scramble risks reproducing the very colonial dependencies and accelerating ecological degradation in the very regions meant to benefit from the energy transition (Gallagher and Kozul-Wright, 2022; UNCTAD, 2024b).

Control over specific supply chains translates directly into geopolitical leverage, making some global South countries the focal point of a securitised resource competition. This targeted demand has triggered a strategic response from major powers, who are leveraging trade policy, security agreements, and investment treaties to lock in access. Initiatives like the European Union's Critical Raw Materials Act (EC, n.d.) explicitly weaponise trade tools to secure supply, often bypassing local development priorities in the process (Gonzalez and Verbeek 2024).

As Crochet and Zhou (2024: 1) write "the EU has been using international trade tools" (weaponised trade) "to focus on access to supply rather than traditional market access issues while also developing new investment rules to open doors and protect its foreign investors in extractive industries." To this end, it has reached out to global South countries in free trade agreements to lock in access to the critical resources such as cobalt, nickel, graphite and lithium that it needs.

Similarly, the United States' strategy under the "One Big Beautiful Bill Act" (OBBA) frames this competition as a national security imperative, leading to "friendshoring" initiatives and heightened military posturing in regions like the Latin America and the Caribbean, and Africa's "Graphite Triangle" (AGT) which is the largest source of natural graphite outside of China. Though the US does not have as coordinated and coherent a mineral resource strategy as the EU, it does have its own critical raw material approach, aspects of which were previously embedded in Biden's Inflation Reduction Act, and now under Trump's OBBA. While geologically endowed with a number of minerals,[53] the US, like the EU, needs significant imports of nickel, manganese, graphite, and copper for its planned grid, manufacturing buildouts, electrification rollouts, AI data centres, and other energy intensive developments. Thus, like the EU, the US/Trump is focused offensively on ensuring, diversifying and building the international supply chain. This it is doing with its own peculiar brand of “friendshoring”, such as the Ukraine mineral deal and a potential military offensive against Venezuela.

A critical aspect of both the EU and US approaches, and quite possibly the Group of Seven (G7) Mineral Action Plan (mooted in 2025), is a frontal attack against China, the Belt and Road Initiative (Wikipedia, n.d.a) and the Global Development Initiative.[54] This will bring into the fray resource-rich countries such as Madagascar, Mozambique, Tanzania – the so-called Africa Graphite Triangle (AGT) which is the largest source of graphite outside of China (Goldman, 202; Allan and Goldman, 2025). The Democratic Republic of the Congo (DRC) is particularly at risk due to its extensive supply of cobalt. But even countries not tightly linked to China, but that are seen to be low-cost producers, are critical to the US and EU supply derisking strategy.[55] Both the US and the EU will use all tools at their disposal to leverage the mineral supply chain for their national development.

At the same time, both groups are actively denying strategic competitors from the South the foundational technologies for twenty-first century economic and military power. For example, the US restricts semiconductor and chipmaking equipment and software exports to China.[56] But ultimately such restriction will not apply to China alone. These actions which are being adapted by the EU, Japan and other North-related countries which are creating a tiered system of technological dependence across the global South. While strategic “swing states” like India and Vietnam are courted as partners in “friendshoring”—a process that often demands they align their tech standards with Washington’s and decouple from Chinese ecosystems—other nations face direct punitive measures. Countries like Iran and Venezuela are subjected to comprehensive sanctions that deliberately stifle their technological development. Most pervasively, a vast “grey zone” of nations, from Turkey to the UAE, faces the constant threat of secondary sanctions, forcing them to navigate a treacherous landscape where any significant commercial engagement with a US-designated adversary risks severe financial and technological blockade. This architecture does not merely target individual states; it actively fragments the global South, punishing their strategic autonomy and rewarding alignment with a US-centric technological order. The US and the EU thus seek to have a second tier of nations that simply supply scarce raw resources or become providers of cheap and exploitable labour in foreign-owned and dominated processing sites at the bottom of the supply chain of green transitions.

This will increase tension and heighten volatility with mineral rich global South countries that would like to maximise the wealth from their mineral resources. Many of these countries will sooner or later come up against the US National Security interest under the purview of the informally renamed Department of War.[57] Under Trump's OBBA, the national defence mineral stockpile and the Department of Defense mineral policy through the Department of Defense / Department of War has a public private partnership to help secure minerals (MP Materials, 2025).

This securitisation of critical resources creates a self-reinforcing cycle: the pursuit of minerals for "energy security" itself becomes a primary source of geopolitical tension and local conflict, directly impacting the lives of vulnerable communities, particularly women who dominate artisanal mining sectors and bear the increased care burdens from environmental degradation.

BOX 13
CRITICAL MINERALS AND THE GLOBAL SOUTH

For many resource-rich global South countries, the scramble for critical minerals represents both an opportunity and a trap. Without local processing capacity or technology transfer, nations risk remaining stuck in extractive export models that expose them to price volatility and environmental degradation. The African Union's Critical Minerals Strategy (AU, 2024) calls for regional value-chain integration and beneficiation, while CELAC's Latin American Lithium Alliance promotes collective bargaining and environmental safeguards. However, global financial asymmetries—tightening credit, currency volatility, and investor risk aversion—limit the fiscal and technological space for such industrial strategies. As green industrialisation accelerates, the global South faces renewed pressure to provide raw materials without gaining equitable participation in the technological rents of the transition economy.

The gendered dimensions of this mineral rush are profound. Women are concentrated in artisanal mining, informal trade, and community-level environmental stewardship, yet remain excluded from benefit-sharing and decision-making structures (UN Women, 2023). Mining expansion often displaces local populations, contaminates water systems, and increases care burdens as women absorb the social costs of environmental degradation. Conversely, emerging women-led cooperatives and circular-economy initiatives in the DRC, Bolivia, and Indonesia demonstrate how gender-responsive industrial policy can turn extraction zones into hubs of inclusive innovation.

Addressing these asymmetries requires aligning mineral policy with feminist and ecological economics. Key priorities include: (1) strengthening domestic processing through regional partnerships; (2) ensuring environmental and gender safeguards in concession contracts; (3) dedicating a share of mineral revenues to community care and resilience funds; and (4) promoting South–South cooperation on technology transfer and green finance (UNCTAD, 2024b; AU, 2024). Only through such integrated approaches can the global South avoid a new cycle of dependency disguised as decarbonization.

COERCIVE STATECRAFT: THE WEAPONISATION OF FINANCE

Parallel to the scramble for resources, the global financial architecture itself has been transformed into a primary theatre of geopolitical conflict— a terrain of geopolitical contestation. The tools of economic interconnectedness—once heralded as drivers of mutual prosperity and occasional tools of diplomacy —are now routinely deployed as instruments of unilateral coercion. Sanctions, asset freezes, and restrictions on dollar-denominated transactions are now wielded routinely as instruments of economic warfare. The leveraging of dollar dominance, control over payment messaging systems like SWIFT, and the imposition of multifaceted sanctions have shifted finance from a neutral medium of exchange to a strategic weapon.

THE IMPACT OF SANCTIONS

Modern sanctions are not just political tools; they are powerful instruments that induce severe macroeconomic instability through targeted channels. Up until the 1990s, primary sanctions were typically broad, blunt instruments focused on limiting a country's ability to engage in commerce (e.g. through trade embargoes, bans and freezes on important assets). However, the US Executive Order 13224 (2001) targeted the financing of terrorism through freezing assets of individuals and entities (not just states) in a global manhunt. Financial measures were a secondary component.

The post-2001 period has been characterised by the weaponisation of the dollar and the overall global financial architecture. Secondary sanctions involve (1) prohibiting third party entities from doing business with a sanctioned target if they want to maintain access to the US financial system and dollar clearing as well as (2) systemically delinking and removing an entire country (e.g. Russia) from the Society for Worldwide Interbank Financial Telecommunication (SWIFT) messaging system.

The volatile effects on the targeted economies include crippling a sovereign state's entire economy with resulting humanitarian catastrophes and through intentionally or otherwise inflicting collateral damage to neighbouring countries and/or regions with deep economic ties to the target. This is often referred to as the "weaponisation of interdependence", an approach very much favoured by Trump.

At the time of writing, countries under some form of sanctions include Cuba, DRC, Iran, Iraq, Mali, North Korea, Russia, and Venezuela. Similar comprehensive financial warfare was imposed on Syria up until 2025 (Bennis, 2020). **Table 6** outlines the primary transmission mechanisms and their devastating effects.

Table 6: Impacts of Sanctions

MECHANISM OF IMPACT	MACROECONOMIC VOLATILITY RESULT	CASE STUDY AND KEY SOURCE
Financial and Currency Channel	• Currency collapse and hyperinflation • Depletion of foreign reserves • Capital flight • Collapse of monetary policy	Iran: After the re-imposition of US sanctions in 2018-2020, the Iranian rial lost over 80 per cent of its value, triggering hyperinflation that pushed inflation to around 50 per cent in subsequent years—highlighting the difficulty Iranian authorities face in restoring currency stability and anchoring prices (Reuters, 2023; Ture and Khazaei, 2022). The central bank was unable to stabilise the currency or control inflation.
Trade and Supply Chain Disruption	• Loss of foreign direct investment (FDI) • Credit crunch for legitimate business stifled long-term growth	Sudan and regional spillover: IMF analysis finds that long-running sanctions and heightened compliance risks contributed to the exit of most correspondent banking relationships with Sudan, weighing heavily on trade and related financial channels (IMF, 2017). Separately, regional surveys in Eastern and Southern Africa show that correspondent banking withdrawal has constrained local and regional banks' access to cross-border payments and trade finance, a pattern that can tighten financial conditions for neighbouring economies such as Kenya and Uganda when risk is perceived as regional rather than country-specific (ESAAMLG, 2017).
Human Capital and Institutional Degradation	• Brain drain • Erosion of state capacity • Deepening of informal economy	Syria: The Caesar Act sanctions crippled the state's ability to fund and import materials for reconstruction, destroying infrastructure and public services. This fuelled a massive brain drain of professionals and skilled workers, permanently damaging the country's human capital base. Sources consulted: Douhan, A. (2023); Human Rights Watch (2023); European Parliamentary Research Service (EPRS) (2023)

MECHANISM OF IMPACT	MACROECONOMIC VOLATILITY RESULT	CASE STUDY AND KEY SOURCE
Regional Spillover and Contagion	• Disruption of remittance flows • Currency volatility in neighbouring states • Increased transaction costs for regional trade	In Central Asia, sanctions on Russia's financial system disrupted the primary remittance corridor for Kyrgyzstan and Tajikistan, where remittances account for a substantial share of GDP. Volatility in remittance inflows generated household income shocks and exchange-rate pressures, contributing to broader macroeconomic instability and higher regional transaction costs (IMF, 2022b).

STRATEGIC RESPONSES: DIVERSIFYING MONETARY DEPENDENCIES

This era of "weaponised finance" amplifies macroeconomic volatility by design, triggering capital flight, currency collapse, and frozen assets for global South economies integrated into dollar-centric payment networks, with severe spillover effects across their regions. The coercive environment has fundamentally shattered the perceived neutrality of the US-led monetary order. In response, a strategic and discursive shift is underway across the global South. The objective is no longer merely to critique dollar dominance but to actively build resilience against financial coercion by diversifying monetary dependencies—a project best understood as decentering the dollar, advancing regional payment systems, local-currency trading, and digital settlement frameworks to shield their economies from coercive financial pressures.

Talk of decentring the dollar marks both a pragmatic response to financial weaponisation and a discursive shift away from the epistemic centrality of one monetary order. Decentring describes a gradual diversification of global reserve holdings and payment systems away from a single hegemon (the US dollar).[58]

BOX 14
THE LANGUAGE OF DECENTRING

The terminology has emerged from three main arenas. In academic and policy macro-finance, it describes an empirical diversification of reserves, settlement systems, and currency use, with attention to the roles of the renminbi, euro, gold, and digital currencies.

In BRICS and broader global South policy settings, "decentring" has become a more neutral and diplomatic term than "dedollarisation," allowing governments to frame diversification as a technical strategy rather than a political challenge.

In critical political-economy and post-colonial scholarship, the term is linked to questioning dominant frameworks that define value, creditworthiness, and stability.

Overall, the discourse signals both practical adjustments to reduce exposure to financial power and a symbolic opening toward a more plural global monetary landscape.

This rhetorical evolution allows policymakers and investors to frame diversification and autonomy in technical, risk-management terms rather than ideological opposition.

Decentring engenders the exploration of the shifting of in-reserve composition, swap-line networks, and cross-border settlements toward a multipolar or plural currency (such as the renminbi, the euro, gold, digital currencies) ecosystem. Initiatives such as Africa's Pan-African Payment and Settlement System (PAPSS), Asian monetary-swap arrangements, and the BRICS bloc's concerted push for local-currency trade reflect this step toward financial sovereignty and resilience (Ocampo, 2017). Many individual Southern countries and coalitions are exploring dedollarisation, advancing regional payment systems, local-currency trading, and digital settlement frameworks to shield their economies from coercive financial pressures. These are no longer niche economic policies. They are essential components of a collective security strategy for the global South.

BOX 15
DECENTRING THE DOLLAR: FROM WEAPONISATION TO PLURALISM

Decentring describes the strategic move away from a global financial system organised around a single hegemonic currency (the US dollar) toward a more plural or multipolar monetary ecosystem. It is a pragmatic response to financial weaponisation and a bid for greater sovereignty. This is not a single action but a multi-pronged strategy:

- Reserve Diversification: Central banks' increase in their holdings of gold, euros, yuan, and other non-dollar assets.
- Local Currency Trade Frameworks: Bilateral and regional agreements to invoice and settle trade in national currencies, bypassing the dollar (e.g., India-UAE, Brazil-China).

• Regional Payment Systems: Development of financial infrastructure independent of Western networks, such as Africa's Pan-African Payment and Settlement System (PAPSS) or the BRICS-led exploration of a "BRICS Pay" platform.

• Bilateral Swap Lines: Currency swap agreements between central banks (for example, China with numerous countries) to provide liquidity in local currencies, reducing the need for dollar reserves.

The goal of decentring is not necessarily to dethrone the dollar overnight, but to create a buffer against its coercive use and to reclaim a measure of monetary policy autonomy. It represents a profound loss of legitimacy for the existing order and a foundational step toward a more multipolar global economy.

This move towards monetary pluralism directly insulates economies from the capricious shifts of US policy and the acute volatility induced by sudden sanctions. However, this transition is fraught with challenges, including the sheer inertia of the dollar system, a lack of deep and liquid alternative asset markets, and the risk of new dependencies emerging within the global South itself. Despite these hurdles, the discursive and practical shift towards decentring signals an irreversible erosion of the dollar's unilateral authority and a fundamental re-architecting of the financial landscape in response to its weaponisation.

Rather than a call for rupture, it reflects an emerging pluriversal search for stability. Just as recurring and pervasive macroeconomic volatility reflects the exhaustion of a single-centred order, the rise of decentring language reveals an epistemic opening—a willingness to imagine multiple forms of stability, cooperation, and value creation.[59]

MORAL AND INSTITUTIONAL PARALYSIS IN THE GLOBAL NORTH

The unchecked rise of this coercive geopolitics is compounded by a profound crisis of leadership and legitimacy within the traditional centres of global power. The global North, and particularly the European Union, once heralded as a "normative power", committed to a rules-based order, now stands morally compromised and strategically weakened. Its unwavering support for the brutal murderous killing of Palestinian children, women and men in Gaza, alongside other human rights violations in the West Bank has revealed a glaring chasm between its rhetorical commitment to human rights and its actions.[60] As noted above, the EU is itself distorting the rules it once championed to suit its "strategic autonomy". This moral contradiction has shattered its credibility as a reliable partner or as an honest broker for the global South, undermining the very normative foundations it purported to uphold.

This moral vacuum is matched by economic stagnation and internal institutional gridlock. The European Union is preoccupied with its own brewing internal debt crisis and the economic slowdown of its core economies, notably Germany, limiting its fiscal capacity and political will to act as a stabilising counterweight. Across the Atlantic, the Trump 2.0 administration has not merely adopted an "America First" posture but has actively repudiated the project of multilateral governance, delegitimizing the very institutions—from the WTO to the UN climate and development processes—that were designed to mediate conflict and foster cooperation.

Consequently, the mechanisms for global accountability and redistribution are paralysed. The momentum for essential reforms—whether for a sovereign debt restructuring mechanism, a global tax body, or equitable climate finance—has stalled. In this landscape of decaying geoeconomics, the pursuit of financial and resource sovereignty by the global South is no longer a mere policy preference;[61] it has become a fundamental imperative for national security, self-determination, and survival in an order where the traditional arbiters are either active participants in the hostility or have proven to be strategically silent.

In sum, the fracturing of the global economic order—manifest in the scramble for resources, the weaponisation of finance, and the emerging discourse of decentring the dollar—reveals that legitimacy itself has become the scarce global currency. As fiscal and financial architectures strain under competing sovereignties, new vocabularies of autonomy, care, and plural stability are beginning to take shape across the global South. This shifting terrain does not yet constitute a new order, but it gestures toward one: a post-hegemony macroeconomics in which value and security are reconstructed through cooperation rather than control.

The fractures of the present order—visible in weaponised finance, resource nationalism, and the contested language of stability—invite not only institutional reform but epistemic renewal. The next section explores how macroeconomic stability itself might be reimagined through care, social reproduction, and plural notions of value.

4. FEMINIST ECONOMICS AND THE ARCHITECTURE OF VOLATILITY — RETHINKING STABILITY

The hostile environment detailed in the previous section—defined by extraction, coercion, and a void of legitimate leadership—demands more than just new policies or alternative power blocs. It demands a fundamental rethinking of the very foundations of our economic logic. The prevailing macroeconomic models, which treat volatility as an exogenous shock and value only what is monetised, are not just inadequate; they are complicit in the crisis. They render invisible the very systems that sustain life and enable resilience in the face of these orchestrated shocks.

It is precisely at this juncture that we turn to feminist economics as potentially a transformative lens that reframes macroeconomic stability itself. Feminist economics insists that the economy is not separate from the society and ecology that sustain it. It centres the essential, yet systematically overlooked, realms of social reproduction and care work—the unpaid and underpaid labour of nurturing, healing, and maintaining communities—which act as the ultimate shock absorbers during crises. In a world of weaponised volatility, a framework that makes these invisible structures visible is not a marginal concern; it is the foundational step toward building a truly resilient and equitable global economy.

RETHINKING MACROECONOMIC STABILITY: FROM CARE DEFICIT TO MACROECONOMIC FRAGILITY

Feminist economics challenges the conventional separation between the productive and reproductive economies. It argues that stability and growth depend not only on market dynamics but also on the unpaid and underpaid labour that sustain social reproduction, care, and wellbeing (Elson, 1998; Benería, 2003). From this perspective, gendered inequalities are not external to macroeconomics—they are constitutive of how economies expand, contract, and distribute volatility.

Thus, while mainstream macroeconomics treats fiscal balance, inflation control, and external stability as ends in themselves, feminist macroeconomists contend that these indicators are incomplete if they overlook how austerity and market liberalisation redistribute unpaid work and care burdens (Elson, 1998; Seguino, 2019; Harcourt, 2023). Cuts in social spending or wage compression do not eliminate costs—they shift them into households, primarily onto women. As a result, the reproductive economy becomes the "shock absorber" of macro-volatility, cushioning crises through invisible labour and emotional resilience.

Hence, this new fault line in the global economy, linking trade policy, green industrialisation, and geopolitical rivalry has profound development, gender and social dimensions. Minerals must be extracted and processed. The intensification of resource extractivism leads to mining expansion, which often displaces local populations, contaminates water systems, and increases care burdens as women absorb the social costs of environmental degradation (Ghosh, 2024). Additionally the heightened tension being created by the US in its search for oil and critical minerals to bolster its lead in AI (including the construction of data centres) and to support its military industrial complex is creating fear and anxiety in regions such as the Caribbean, impacting the lives of artisanal fishermen and women, as well as artisanal mining dominated by women in Africa's Graphite Triangle.[62] In the AGT region, women's participation, estimated to be up to 50 percent, is concentrated in the informal or artisanal and small-scale mining sector (Paschal and Kauangal, 2023). Thus, women's formal and informal labour are increasingly being relied upon by states without any attention paid to their physical poverty or to the time they spend on caretaking in communities.

Gender inequality in time-use and labour allocation is now recognised as a macro-critical issue. The International Monetary Fund (Goyal and Sahay 2023; IMF, 2022a) and UN Women (2023) have both acknowledged that unequal care burdens constrain productivity, fiscal revenue, and recovery speed. Feminist economists argue that when states pursue contractionary policies, they not only suppress demand but also erode the social infrastructure—health, education, and care—that underpins long-term growth (Çağatay and Ertürk, 2004; Floro and Komatsu, 2011). This "care deficit" thus becomes a form of structural fragility: economies that undervalue reproductive labour are less resilient to shocks.

Ultimately, feminist economics reframes volatility not as an exogenous shock but as a consequence of structural inequalities in production, finance, and social reproduction. Addressing these inequalities is therefore not just a moral imperative but a condition for macroeconomic stability and resilience.

Feminist political economists extend the dedollarisation/decentring debate by emphasising that monetary power is not gender neutral. Control over liquidity, credit, and public finance determines the material conditions of care, social reproduction, and wellbeing (Elson, 1998; Seguino 2019). A decentred monetary system could, in principle, democratise access to liquidity by linking financial flows to social and ecological priorities. This would transform the role of central banks and development finance institutions from stabilising markets to sustaining life—an approach aligned with feminist visions of distributive and ecological justice (Heintz, 2023; Powell, 2023; Seguino, 2019; Stephens and Sokol, 2023). In this sense, decentring the dollar is not merely a geopolitical project but a normative one: to reimagine monetary sovereignty as shared stewardship of global resilience, inclusive of the global South's developmental and gender-equity imperatives. From the perspective of feminist economists, geoeconomic realignments such as dedollarisation and decentring the dollar are not merely currency shifts; they symbolise a deeper move to decentre power and value. They underscore that macroeconomic legitimacy is relational—sustained only when institutions reflect plural sources of knowledge and sovereignty.

Furthermore, feminist economics posit the critical interlinkage of addressing the climate challenge, impacts and vulnerability in a framework that integrates issues around unpaid care work, social reproduction, the local economy and non-monetary exchanges. Climate protection is therefore a pure public good and should be examined through a "social carbon rate" (Nelson, 2008; Nelson, 2012; Adhikari and Ghimire, 2025). Feminist economists argue that the social cost of carbon (SCC) is not a purely technical metric, but a normative construct shaped by assumptions about discounting, valuation, and distribution. Conventional SCC estimates draw on a standard cost–benefit analysis (CBA) framework grounded in a purportedly neutral, autonomous economic agent—an abstraction criticised in feminist economics as the androcentric "separative self" (Nelson, 1995; Nelson, 2008). This model embeds an in-built assumption of equality of interests and starting points, thereby obscuring differential vulnerability across gender and geography, despite extensive evidence that climate impacts and adaptive capacities are unevenly distributed (Nelson, 2008; Adhikari and Ghimire, 2025).[63]

In response, feminist economists advance a social provisioning framework centred on wellbeing rather than utility maximisation (Power, 2004; often drawing on capabilities-based approaches to assess gendered and distributive impacts. These critiques imply a necessary methodological correction in climate economics: the use of equity weights in discounting and CBA, including SCC estimation (Anthoff et al., 2009). The need for "equity weights" in the use of the discount rate and cost benefit analysis is important in order to overcome the in-built disadvantages that exists between men and women, and between global South and global North etc. (Nelson and Power, 2018; Anthoff et al., 2009; Prest et al., 2024). Equity-weighted approaches assign greater value to damages borne by poorer and more vulnerable populations—

disproportionately women in the global South—aligning economic evaluation with distribution-sensitive welfare theory (Fleurbaey and Abi-Rafeh, 2016) and with the Intergovernmental Panel on Climate Change (IPCC) discussions of equity, discounting, and social cost metrics (IPCC, 2022b). This framework places the impetus for spending now on mitigation and encourages a precautionary, and no-regrets' approach to climate policy making.

A BLUEPRINT FOR A CARE-CENTRED MACROECONOMY

Adopting a feminist lens necessitates a radical overhaul of policy priorities, moving from stabilising markets to sustaining life. This translates into three foundational shifts in economic governance:

1. Reimagining Fiscal Responsibility: Investing in the Care Economy as Core Infrastructure.

Feminist political ecology and feminist macroeconomics emphasise that mainstream economic frameworks and public policies have historically ignored care work and structural inequalities and argue that economic policy — including fiscal policy — must be reoriented to recognise and address gendered power imbalances in economic life (Bauhardt and Harcourt, 2020; Zuazu-Bermejo, 2024). Building on this broader feminist economic critique, gender-responsive budgeting has emerged as a practical fiscal tool to analyse and reshape public expenditures in ways that **repair rather than exacerbate gendered inequalities**. A feminist budget is not a separate portfolio for social programmes; it is a framework that recognises public investment in health, education, childcare, and elder care as the bedrock of a productive and shock-resilient economy. These sectors are not drains on the treasury but strategic investments with high multiplier effects, fostering employment, freeing up women's time for paid work or rest, and building human capabilities. Gender-responsive budgeting becomes a core tool of fiscal intelligence, ensuring that public funds actively repair, rather than exacerbate, gendered and racialised inequalities (Benería, 2003; Ghosh, 2024).

2. Recalibrating Monetary Policy: From Inflation-Only Mandates to Well-Being Mandates.

While price stability remains important, the singular focus on inflation control—often achieved by hiking interest rates that suppress job creation and public spending—is deeply gendered and socially regressive. A feminist approach challenges central banks to consider a broader dashboard of indicators, including employment quality, care service accessibility, and wage equity, recognising that the stability of household well-being is a prerequisite for the stability of currency (Harcourt, 2023; Seguino, 2019).

3. Redefining International Finance: Conditioning Debt and Climate Finance on Human Outcomes, Not Austerity.

The current international financial architecture, through IMF programmes and climate finance conditionalities, systematically prescribes austerity that dismantles the very care infrastructure that ensures resilience. A feminist framework demands that debt restructuring and climate funding be explicitly tied to the protection and expansion of social spending. It calls for "Care-Sensitive Debt Audits" and the integration of time-use data into loan conditionalities, ensuring that macroeconomic "adjustment" does not equate to the catastrophic adjustment of women's unpaid working hours (Floro and Komatsu, 2011; Gammage, 2010; Blecker and Braunstein, 2022)

Taken together, these insights point toward a profound re-imagining of global governance—one that the following conclusion situates within the wider exhaustion of the neoliberal order and the emergence of Southern possibility.

In conclusion, the feminist economic analysis advanced here does not simply add a missing variable to a broken model. It demands a new model entirely—one in which macroeconomic stability is redefined as the sustained capacity for social reproduction and ecological regeneration. The polycrisis, the hostile geopolitics, and the relentless financial volatility of the twenty-first century are the logical endpoints of a system that has prioritised the accumulation of capital over the sustenance of life. The architectures of volatility detailed in this paper are, in essence, architectures of carelessness. Therefore, the most strategic and profound response to this exhaustion is not merely to reform institutions, but to re-value the world, centring the feminist principles of interdependence, care, and equity as the non-negotiable foundations for any viable form of global economic governance. It is this decolonial, life-affirming possibility that we must now seize.

CONCLUSION: FROM NEOLIBERAL EXHAUSTION[64] TO SOUTHERN POSSIBILITY

Contemporary global governance—and the globalisation it ushered in—no longer inspires confidence across either the North or South. The pervasive inequality, volatility, and eroded public trust are more than just symptoms of a system in crisis; they are the definitive signs of its exhaustion. In a Deleuzian sense, the neoliberal order has run through its set of logical "possibles" (Deleuze, 1996). The predatory geopolitics, weaponised finance, and institutional paralysis detailed in this analysis represent a system collapsing under the weight of its own internal contradictions, a kind of societal "burnout" on a global scale (Han, 2015). Wealth remains concentrated in the hands of a small elite while poorer communities, women, and migrant workers bear the brunt of these crises—a testament to a model that has consumed its own social and moral foundations.

We are, undeniably, at a Kairos moment—a critical and decisive turning point. This is not merely a crisis to be managed, but an exhaustion to be transcended. The year 2025, meant to be the pivotal midpoint for the 2030 Agenda, now coincides with this potentially disorderly transition. The policy windows for change remain open, but the central question is, who will generate the new possibilities? As the preceding analysis shows, it cannot be the traditional powers of the G7, who are themselves agents and symptoms of this exhaustion.

This leadership vacuum underscores that Southern leadership is now indispensable. The nations of the global South disproportionately bear the brunt of this exhausted system—structural indebtedness, entrenched inequalities and the force of climate change, but they are also uniquely positioned to move beyond it. Their leadership is not about reforming the old order but about creating the new—centred on gender equality and social equity —the fresh "possibles" that Deleuze saw emerging only after the exhaustion of the old. Neoliberal multilateralism has reached what Deleuze, in his work on exhaustion, would describe as the point at which a system has "exhausted the possible" — that is, it has run through all of its own internally sanctioned permutations. What remains is not reform within its logic, but the emergence of something else altogether. While planetary collapse may be imminent if ecological thresholds continue to be breached, this should not be conflated with the condition of the global economic order itself. In Deleuzian terms, the neoliberal economic system is not collapsing; it is exhausted — having run through the full range of its internally sanctioned possibilities. It is precisely this exhaustion that allows new architectures (care, South-led finance, pluriversal governance) to surface.

The challenge is monumental. The gains in poverty reduction are imperilled, and the Sustainable Development Goals are in serious jeopardy. The "law of the jungle" approach threatens to make the COVID-19 pandemic vaccine debacle—a stark example of how disorderly transitions harm the most vulnerable—a precedent rather than an anomaly.

In this context, the leadership of the global South inclusive of civil society (Afrodescendants, gender, Indigenous and labour activists)—is not just an alternative;

it is the essential catalyst for any hope of a just, equitable, and stable global future. The initiatives we see emerging—from financial sovereignty and diplomatic coalitions to policy innovation—are more than just resistance to a dying order. The emerging South-South finance systems are decentralised, adaptive, plural.[65] They are the active construction of a pluriverse: a world where many worlds, knowledges, and forms of life can coexist.

To seize this Kairos moment, Southern leaders and civil society must channel their collective experiences of crisis into the design of a new moral and institutional order. It means moving beyond the exhausted universalism of neoliberalism to forge a pluriversal multilateralism—one that does not seek to homogenise but to facilitate coexistence, grounded in the lived practices of care, interdependence, and planetary stewardship.

The old order is exhausted. The Kairos moment is here. The response from the South—its refusal to be peripheral and its commitment to weaving a pluriversal tapestry (Escobar, 2020) to create a just, equitable world that respects diverse knowledge systems and forms of "being" will define the trajectory of the twenty-first century.

APPENDICES

APPENDIX 1
SOME CONTEMPORARY CAUSES AND CONSEQUENCES OF RISING GLOBAL INFLATION

KEY EXPLICIT AND DIRECT CAUSES OF RISING GLOBAL INFLATION ARE TYPICALLY IDENTIFIED IN TERMS OF

Post-pandemic demand surge linked to: 1) rebound in economic activity after the lockdown of COVID and the availability of COVID-19 vaccinations; and 2) supply constraints and emergence of significant bottlenecks as factories, freight companies, and global supply chains struggled to meet the surge in orders following the pandemic. These supply constraints drove up prices for inputs, raw materials, and transportation:

- Higher food and energy prices further exacerbated the cost-of-living crisis, with food prices hit by rising input costs (fertilisers and fuel)
- Export restrictions
- Logistical disruptions
- Climate-related challenges; for example, in 2023, severe drought conditions in the Panama Canal reduced water levels and vessel capacity which in turn delayed shipments and raised freight costs.

Increasing security risks and conflict-related disruptions in the Suez Canal and Red Sea constrained key global trade routes linking Asia, Europe, and Africa, compounding global transport pressures and adding volatility to shipping rates.

Changing commodity demand: Structural shifts toward clean energy could be reshaping commodity markets, affecting the price of oil, natural gas, metals (for batteries), and agricultural products, with implications for inflation in both short and long runs.

Russia–Ukraine conflict (early 2022 onward): The outbreak of war between Russia and Ukraine severely disrupted global supply chains for both energy and grain. Together, the two countries account for a major share of global exports in natural gas, crude oil, wheat, corn, and sunflower oil, and the conflict abruptly tightened global supply. In addition to production shocks, logistical complications in the Black

Sea trade routes—including blockades, port closures, and heightened maritime security risks—further constrained exports of key commodities, compounding supply disruptions. Moreover, the sanctions imposed by the US and European governments introduced market uncertainty and added a risk premium across multiple sectors, driving up prices for energy, food, and fertilisers worldwide.

Expansionary Fiscal and Monetary Policies (in 2020–2021): many governments and central banks launched unprecedented stimulus measures to counteract the economic fallout from COVID-19. This boosted demand but also increased money supply, contributing to inflationary pressures. Interest Rate Policies: Ultra-low interest rates in global North economies encouraged borrowing and spending, further heating domestic demand and global commodity markets.

In the aftermath, the major central banks (the US Fed and the European Central Bank) adapted tighter monetary policy by raising interest rates and unwinding asset purchase programmes. This led to capital flow volatility as these rate hikes in advanced economies triggered capital outflows from emerging markets, leading to exchange rate pressures and further fuelling of local inflation through costlier imports.

CONSEQUENCES OF GLOBAL INFLATION

Elevated global inflation led to rising cost of living and social tensions

Higher food, energy, and housing costs have squeezed disposable incomes—particularly among lower-income families in both advanced and global South countries. This led to unrest in some countries as rapidly rising prices for everyday essentials can fuel public dissatisfaction, protests, or political instability, especially where social safety nets are weak.

These inflation pressures contributed to a situation of heightened inequality across and within nations, especially in the global South countries. These countries typically have fewer tools (for example, reserve currency status, deep capital markets) to manage inflation. Combined with greater vulnerability to external shocks, this can exacerbate global inequality. Furthermore, income disparities within countries increased as low-income households often spend a higher share of their income on food and energy—items that have seen the steepest price increases—thereby worsening domestic inequality.[66]

Persistent Risks

Renewed geopolitical tensions, extreme weather events, or another round of pandemic disruptions could reignite price pressures. In some global South emerging market countries with limited policy space, the combination of external shocks and currency depreciation could prolong inflationary cycles.

Inflationary shocks intersect with shifting global power centres, potentially exacerbating vulnerability for smaller or debt-heavy economies. Persistent inflation and monetary tightening in advanced economies may intensify calls for alternative currency arrangements (for example, BRICS, regional payment systems).

APPENDIX 2 DEDOLLARISATION

Dedollarisation refers to the intentional process by which countries, institutions, or markets reduce their reliance on the US dollar (USD) in international transactions, reserve holdings, trade invoicing, borrowing, and payment systems (Wikipedia, n.d.b). Dedollarisation is typically gradual, partial, and segmented rather than sweeping overnight. It has multiple dimensions and is motivated by different drivers. There are also many different signs and indicators of dedollarisation, including more recently the aggravating actions of Trump 2.0. Ultimately, dedollarisation and processes towards or away from it influence macroeconomic volatility. This appendix highlights in brief some of these dynamics and tensions around this process. This also highlights that in practice dedollarisation is not an easy path. But it has its rewards.

Framing Dedollarisation

DIMENSION	ASPECT	DETAILS
What is dedollarisation? It has multiple dimensions	Reserve diversification:	Central banks reduce USD holdings and increase other currencies such as China's remnabi (RMB), the EUR, or gold) (Bacheli and Ranasinghe, 2025; Hook, 2025; Vanjani, 2025)
	Trade settlement in alternative currencies	More bilateral trade is invoiced and settled in non-dollar currencies such as local currency or the RMB, etc. (Bacheli and Ranasinghe, 2025; Hook, 2025; Vanjani,2025)
	Issuance of non-dollar debt	Sovereign or corporate borrowing denominated in alternative currencies such as the RMB, etc. (Graham and Tran, 2024).
	Payment infrastructure alternatives	Establishing mechanisms (or messaging systems) to bypass the SWIFT. This could include increasing the use of bilateral currency swap lines, (Graham and Tran (2024)
Why dedollarisation? Motivations / drivers include several strategic, economic, and political reasons	Sovereignty & autonomy	Reducing vulnerability to US monetary policy, sanctions, or "weaponisation" of the dollar system, (Wikipedia, n.d.b).
	Exchange-rate risk mitigation	Lower exposure to USD volatility, especially for debt service or external liabilities.

DIMENSION	ASPECT	DETAILS
	Geopolitical rebalancing	As rival powers (China, Russia, BRICS) push alternative currency regimes, states may align themselves with those blocs.
	Interest cost / funding advantage	In some cases, conditions favour borrowing in local or regional currencies rather than in dollar terms (when interest differentials or capital controls make USD borrowing costly).
How is dedollarisation undertaken? Signs and indicators are generally linked to the drivers behind dedollarisation	Decline in USD holdings / treasury custody	Recent data shows that US Treasuries held at the New York Fed on behalf of foreign central banks have dropped to the lowest levels in over a decade — which some interpret as a sign of cooling foreign appetite for USD assets, (McGeever, 2025).
	Trade / settlement shifts	Some trade agreements and contracts are increasingly being settled in RMB or regional currencies, particularly in Asia and among China's trading partners, (Graham and Tran (2024)
	BRICS & regional blocs pushing payment mechanisms	Among BRICS and allied countries, proposals and steps exist to develop alternative payment rails, cross-border currency arrangements, or messaging systems (Council on Foreign Relations, 2024; EY, 2025; Valdaiclub.com, 2025).
	Geopolitical rhetoric & reaction to US policy	In response to US tariff threats or punitive measures (especially under Trump), some analysts argue that dedollarisation is accelerating as distrust in US commitment increases, (Shakil, 2025).
	Gold & non-USD reserves	Some central banks are increasing allocations to gold or non-USD reserve assets as part of their diversification strategy (Ibafin, 2025).

Recent Reaction to Trump / US Policy

Trump's economic and trade posture has had several unintended triggers or accelerants for dedollarisation. In effect, Trump's tactics—tariffs, threats, financial coercion—can backfire by pushing foreign states to reduce dollar dependence rather than be cowed by it. These include:

- **Tariff and trade aggression:** Trump's renewed tariff policies risk undermining the stability and appeal of dollar-based trade relationships. (Note for example, BRICS-aligned or trading partners). Critics argue that such policies push counterparts to reduce dollar exposure (Norton, 2025; Shakil, 2025; Sokulsky 2025).

• **US isolationism and withdrawal of support:** Analysts warn that if the US becomes less willing to act as liquidity backstop (such as offering dollar swap lines to allies in times of stress), that could accelerate dedollarisation (Ibafin, 2025).

• **Erosion of trust and US credibility:** The perception that US policy is erratic, transactional, or punitive can push states to hedge away from dollar exposure. The Guardian recently noted that global trust in the US is eroding, and the question is not if but when the dollar loses supremacy (Mohammed, 2025).

• **Asset derisking:** Some investors such as Citadel are publicly signalling alarm at dedollarisation — interpreting it as a signal that global capital is beginning to derisk from US sovereign risk (Bourgi, 2025)

Obstacles and Constraints to Dedollarisation.

Dedollarisation is difficult in practice because of historical in-grown advantages to using the USD. These include:

• **Liquidity and depth:** The US Treasury markets and dollar financial markets are large, deep, and liquid — no easy substitute.

• **Convertibility and credibility:** Alternatives (like RMB) are less convertible, more regulated, subject to state control, and carry country risk (Graham and Tran, 2024; von Beschwitz, 2024)

• **Network effects / inertia:** Many contracts, commodities, cross-border trades, and financial flows are already dollar-based — changing that is costly and slow.

• **Market confidence & trust:** Investors demand trust, stability, legal protection — these are stronger in US frameworks historically.

• **Coordination and leakage:** Even if one country does it, counterparties (banks, markets) may resist or require USD involvement.

Connecting Dedollarisation to Macro Volatility and BRICS

• **New volatility regimes:** As dollar dominance weakens, currency systems may polarise (USD sphere, RMB sphere, regional blocs). Shocks propagate differently across these zones, creating asynchronous volatility rather than globally synchronized cycles.

- **Debt / financing fragmentation:** Borrowers in Africa, Latin America, or Asia may access RMB or local-currency financing, reducing their exposure to US rate cycles (but adding exposure to Chinese monetary regimes).
- **Geopolitical lever:** Dedollarisation is both an economic strategy and a geopolitical tool. For BRICS governments and allied states, it's a way to lessen US leverage (sanctions, SWIFT exclusion, dollar-denominated claims).

- **Feedback loops:** If more states shift away from USD, that reduces demand for US Treasuries, raises US borrowing costs, and can increase US fiscal stress — which in turn feeds into investor doubts about dollar stability. This may amplify US-centric volatility shocks into global systemic stress.

In conclusion, dedollarisation is a fragmented but widespread trend driven by factors such as pragmatism (ASEAN's Local Currency Settlement to save costs), risk management (gold buying by Poland), strategic autonomy (EU's Instex or Instrument in Support of Trade Exchanges and France's Euro liquified natural gas trade), national interest (India's Rupee deals to secure energy). Ultimately countries and investors may seek to hedge macro exposure rather than rejecting the dollar outright, using gold and central bank digital currencies as neutral value anchors and expanding bilateral currency arrangements with non-US partners.

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ENDNOTES

1- Arturo Escobar's concept of pluriversality challenges the hegemonic, extractivist practices of the global North and emphasises a multilateralism that is not based on existing power structures but on creating a just, equitable world that respects diverse knowledge systems and forms of "being". This involves building a "pluriverse" with multiple, interconnected worlds coexisting, often drawing from decolonial, Indigenous, and other grassroots movements.
2- Inequality is a **structural crisis** rather than a separate shock. It is not just "another crisis"; it is **both a driver and an outcome** of the others on the list.
3- This paper eschews the term "developing countries"—a label seen as implying a linear, Western-centric path of development—in favour of the more complex and nuanced "global South" (or "the South") or Global Majority. "Global South" or "the South" refers to a diverse and evolving coalition of states and societies united by a shared structural position within global systems—one historically shaped by colonialism, imperial domination, and unequal exchange. It is not a strict geographical designation but an analytical lens and a political identity, emphasising a history of marginalisation and a collective aspiration to challenge Western-centred power structures. The global South has a common goal of advocating for a more equitable, multipolar world order.
This alliance is given further moral and demographic weight by the concept of the "Global Majority", now gaining traction in activist and academic circles as a decolonial corrective. The term emphasises a shared humanity and the plurality of perspectives that shape global life. It underscores that the populations of the global South, alongside all non-Western peoples—including those in the contested spaces of Eurasia or the proposed 'global East'—constitute the vast majority of the world's population. Together, these terms highlight a fundamental contradiction of our time: the concentration of global power and institutional influence in a minority of nations, against the demographic and social reality of the world's majority
4- Since 2011, the US (including Obama through Trump1.0 and the Biden Administrations) has blocked appointments to the World Trade Organization (WTO) dispute settlement Appellate Body (the "crown" of the WTO) thus making it difficult for the WTO to enforce its obligations. For more on this please see Garner-Knapp et al. (2022), Lester (2022), Sun (2023).
5-

Structural Adjust Programmes (SAPs) 1980s and 1990s	SAPs were in two parts: • Stabilisation (IMF): Short-term measures to halt hyperinflation and restore balance-of-payments stability including (1) sharp cuts in government spending (austerity); (2) devaluation (weakening the value of the currency as a policy prescription) of currencies and (3) high interest rates. • Structural Adjustment (World Bank): Longer-term measures to reorient the entire economy through (1) privatisation of state-owned enterprises, (2) trade liberalisation (dismantling tariffs and quotas), (3) deregulation of markets and labour and (4) fiscal austerity (cutting social services, subsidies, and public sector wages)
Washington Concensus (1989-1990s)	This evolution continued external pressure on the global South. Williamson (1990) coined the term and summarised the ten core policy prescriptions that he believed were universally agreed upon by the powerful institutions in Washington DC—the IMF, World Bank, and the US Treasury—hence, the "Washington Consensus". This framing encoded the neoliberal model as the universal "one-size-fits-all" recipe fundamentalism or neoliberalism for development. It was presented as a technical, neutral solution, not a political ideology (for example, as a triumph at the end of the Cold War).
Wall Street Consensus Sustainable Development Goal (SDG) era	Coined by Gabor (2021), this can be seen as the latest, financialised phase of this long history of imposing Northern economic models on the South. See Lavinas (2025) for detailed examination of financialisation.

6- The core interlinked processes (mechanisms) are de-risking and assetisation.

- Derisking: This is the central pillar. The public sector (i.e., global South governments and development banks) must absorb the risks of the private sector investing in renewable energy etc. by providing guarantees, participating in blended finance, protecting the private investors, and absorbing currency risks (shielding investors from local currency depreciation).
- Assetisation: the process of transforming public goods (health care, education), social infrastructure, or natural resources (i.e., forests) into financial assets (i.e., carbon credit) that can be owned, traded, and leveraged for profit within global capital markets. This is usually done through the Public Private Partnership model. A nation's future remittance flows, or tax revenues can be securitised into a bond and sold to investors. See more on assetisation in Lavinas (2025)

7- The term "zero-sum sovereignty" refers to a worldview in which sovereignty is treated as a fixed, mutually exclusive resource—any gain in external or shared authority is presumed to diminish national sovereignty. This framing underlies Donald Trump's "America First" posture, which casts sovereignty as non-shareable and transactional (Snyder, 2025; Bremmer, 2025)

8- The term "broligarchy" (or "tech-broligarchy") combines 'bro' and oligarchy as popularised by Cadwalladr (2024) to describe figures like Musk, Thiel, and Zuckerberg. The concept is supported by research on the "technopolar world" (Bremmer, 2025) and the fusion of technology with state authority (Snyder, 2025), illustrating how digital capitalism, authoritarian tendencies, and male-dominated networks converge.

While "tech-broligarchy" succinctly captures the cultural and gendered character of this emerging power structure, it has overshadowed an under-recognized "sister oligarchy"—a configuration of elite female power in technology, finance, philanthropy, and culture. This sister oligarchy manifests in at least two distinct dimensions. The first includes women like Gates, Scott, and Sandberg, who derive legitimacy from institutional roles, networks, and redistribution rather than disruption. Their influence is relational, systemic, and often transnational, operating through governance and philanthropy to pursue stability, inclusion, and legitimacy as responsible stewards.

However, a second, more overtly politicised dimension exists: a feminised "mirror oligarchy"—exemplified by figures such as Catz (Oracle), Adelson (Media), and Mercer (Cambridge Analytica)—that leverages wealth to adopt the tools of patriarchal influence, securing ideological control for nationalist and partisan agendas. Theirs is a form of hard-power philanthropy that exercises influence not through redistribution, but through the strategic capture of political, policy, and media infrastructures. In doing so, they echo masculinised strategies of power consolidation to pursue directed outcomes like regulatory rollback, nationalist policy, and ideological alignment.

9- In what can only be defined as the first hi-tech takeover of the apparatus of a national government, the tech billionaire, Elon Musk, and his crew of laptops and USBs-wielding cyber techies, seized control of the US Federal government's payment system and thus effective control of the US government.

10- The extent to which governments, particularly in the global South, have linked their administrative capacity to Starlink for services such as e-governance, digital ID systems, and online tax filing, as well as in the industrial sector (e.g., connecting remote mining operations), and agriculture (e.g., enabling precision farming and market access) has strategic risks. This dependency creates a new form of asymmetric power relationship and vulnerability and may represent a new, twenty-first century form of neocolonial dependency wrapped in the guise of technological progress. This may turn out to be a Faustian bargain. It offers a quick, powerful solution to the digital divide and infrastructure gaps but at the cost of ceding a significant portion of national security and administrative sovereignty to a capricious private actor. Ultimately, a single individual, Elon Musk, through his control of Starlink, can influence the outcome of wars, the stability of governments, and the economic well-being of nations without any democratic mandate or diplomatic process.

11- By late 2025, Trump unleashed the US military in the Caribbean Sea on the pretext of stopping drug trafficking. He declared that the US was in a "non-international armed conflict" with drug cartels operating in the Caribbean, classifying them as "unlawful combatants" (United States. President, 2025). The US was choosing to attack vessels in the Caribbean Sea outside both its and Venezuelan territorial water ways. Venezuela saw US aircraft and naval movements near its territory as menacing, provocative and threatening. By 14 October 2025, about twenty-seven individuals had been killed. The UN and human rights experts have condemned at least one of the strikes (the eleven-person boat strike) as an extrajudicial execution, warning of violations of the right to life. To date, there has been no evidence presented of the claims made by the US for the killings of these individuals. The geography of the cocaine trade is often misrepresented. According to UN data, production remains concentrated almost exclusively in the Andean region of Colombia, Peru, and Bolivia (UNODC, 2023). However, trafficking routes have shifted significantly, with a massive increase in shipments through the Pacific ports of Ecuador, which a 2023 UN report identifies as a primary export hub for cocaine reaching global markets (UNODC, 2023).

12- The "Donroe" Doctrine, attributed to Francis (2025) refers to the administration's rhetorical and policy conceptualisation and reframing of the original 1823 doctrine. One aspect is best represented in Vice President Vance's "Peace through Strength" speech. Today, the US has deployed massive "offensive" military assets in the southern Caribbean, in particular in Trinidad and Tobago; and, the US has formally requested the temporary installation of radar equipment and associated technical personnel at the Maurice Bishop International Airport in Grenada (Stabroek News, 2025) (which the US invaded under Ronald Reagan in the early 1980s).

13- Decoloniality is a structural and epistemic effort to dismantle ongoing colonial power in economics, governance, and knowledge systems (Mignolo, 2011; Quijano, 2000). It calls for acknowledging historical extraction and establishing frameworks that support global equity. Economically, this includes reparative measures such as debt cancellation, fair taxation, and climate-related reparations (Patel and Moore, 2018; Hickel, 2020). It also requires reforming global institutions like the IMF, World Bank, and WTO, whose rules have favoured wealthier nations (Gallagher and Kozul-Wright, 2022).
There is a constellation of corresponding justice agendas. **Climate justice** emphasises the responsibility of global North countries to provide predictable public financing for mitigation, adaptation, and loss-and-damage, along with commitments to just transition (UNFCCC, 2023). **Just transition** expands beyond fossil-fuel phaseout to address economic diversification, resilience in food and water systems, and energy access for all (ILO, 2022a; ILO, 2022b). **Economic justice** focuses on addressing global inequality and wealth redistribution, ensuring fiscal space for essential services, and securing sustainable development finance and social protection. **Debt justice** calls for cancelling odious and military debts and creating restructuring mechanisms responsive to climate vulnerabilities (CESR, 2025; UNCTAD, 2024b). **Tax justice** demands global transparency, fair taxation of multinational corporations, and curbing of illicit financial flows (Cobham and Janský, 2020; Cobham, 2024; Larios Campos, 2025). **Gender justice** centres women and marginalised genders as transformative agents by challenging systemic power imbalances perpetuating inequalities (UN Women, 2023). **Trade justice** advances trade rule reforms that promote fairness, development and the right to industrialise.
14- The exact number of US overseas bases varies depending on what is counted. The Overseas Base Realignment & Closure fact sheet states 800 base sites in 80 foreign countries and territories (OBRACC, n.d.). NATO-allied / NATO-led military interventions in the Middle East/North Africa and African region since 2004 include: Libya (2011 major war), Iran, Iraq, Horn of Africa, Darfur and Somalia (Vine et al., 2021).
15- Data set compilation for this includes bilateral international investments for bank loans and deposits, portfolio investment in debt and equity, foreign direct investment (FDI), and international reserves.
16- The term "Industrial Revolution" refers to a major wave of technological, economic, and social transformation, characterised by breakthroughs in energy, production, and information that fundamentally reshape how humans live, work, and produce. Over time, historians and economists have identified several distinct phases — from the **First Industrial Revolution** (driven by steam power and mechanisation), to the **Fourth** (characterised by digitalisation, artificial intelligence, and interconnected smart systems), with each marking a profound shift in human progress and productivity. Some scholars now refer to an emerging **Fifth Industrial Revolution**, emphasising human-centred innovation, sustainability, and collaboration between humans and advanced technologies for social and ecological well-being.
17- These negotiations are occurring in the era of the Common Framework and the Global Sovereign Debt Roundtable – involving the IMF, World Bank and G20 Presidency along with six bilateral creditors (China, France which is chair of the Paris Club, Japan, Saudi Arabia, UK, US), six debtor countries (Ecuador, Ethiopia, Ghana, Sri Lanka, Zambia) and private sector representatives (Institute for International Finance, International Capital Market Association, BlackRock and Standard Chartered). There is, however, deadlock on debt with the focus on technical fixes. These mechanisms are neither timely nor sufficient to resolve the debt.
18- Note, however, the UN Interagency Task Force (UN IATF) (2024) comment that while graduation to middle-income status may lead to a shift in the types of financial support available, it does not preclude access to the Least Developed Countries Fund. According to IDA, thirty-five countries had graduated from IDA – since IDA's founding, forty-six countries had graduated but eleven had "reverse graduated" (IDA, 2025).
19- Post-graduation, states face reduced access to concessional disaster financing and reconstruction aid. They become reliant on market-based instruments such as catastrophe bonds and sovereign insurance pools that carry higher premiums and conditionality. For small island states, like Cabo Verde and Samoa, this has meant that extreme weather events translate directly into higher debt burdens rather than grant-financed recovery. Similarly, Bangladesh, approaching Least Developed Country graduation in 2026, risks losing access to dedicated funds for climate shocks even as flooding intensifies. In this sense, graduation transfers disaster risk from multilateral institutions to national balance sheets.
20- Over the past two decades, global South countries have shifted from relying primarily on official bilateral and multilateral creditors (such as the Paris Club, IMF, or World Bank) to market-based borrowing. This means a significant portion of sovereign debt is now held by private bondholders under international law (often governed by New York or English courts). This diversification has expanded financing options but complicates restructuring, as there is no single forum to coordinate negotiations with private creditors. Unlike the Paris Club (which coordinates official bilateral creditors), private sector creditors are not bound by collective agreements. Instead, each creditor (or group of creditors) negotiates individually. Restructuring depends on collective action clauses embedded in bond contracts, which allow a super majority to bind dissenting creditors—but these are not universal or uniform. This decentralisation slows negotiations and increases legal risk, as holdout creditors (vulture funds) can sue for full repayment (as seen in Argentina's 2001 default case).
21- According to WID (2024), five countries spend more than 40 per cent of their revenues on interest service (Sri Lanka, Egypt, Ghana, Gambia and Zimbabwe). Sixteen countries spend more on interest than on education and health and more than 20 per cent of their revenues on interest. The richest countries allocate around 15 per cent of their national income to social protection, compared to just 1.5 per cent among the bottom 40 per cent poorest countries.

22- These are:

- Burundi Net Foreign Income (NFI): -1.6 per cent)
- Yemen (-0.5 per cent)
- Central African Republic (0.2 per cent) but Net Foreign Wealth (NFW) is-78 per cent
- South Sudan (-5.5 per cent)
- Somalia (0.4 per cent, but NFW is-75 per cent)
- Mozambique (-5.5 per cent and NFW is -371 per cent)
- Democratic Republic of the Congo (-3.5 per cent)
- Liberia (-3.1 per cent)
- Sierra Leone (-1.9 per cent)
- Malawi (-2.1 per cent)

NFI: net foreign income as a percentage of Net Domestic Product (PPP 2023 euro). NFW: Net Foreign Wealth as a percentage of Net Domestic Product (PPP 2023 euro). (WID, 2024).

23- The continuing impasse in the UNFCCC over climate finance and the global North countries' sluggishness in taking rapid and sustained action to maintain the temperature guard rail to well below 2.0 degree Celsius or the 1.5C, as demanded by the majority of countries in Africa, Asia, Latin America and the Caribbean, is also a source of great concern to the women, men and children of the global South. In 2009, OECD countries promised to mobilise and deliver USD100 billion per year by 2020 to support climate actions in global South countries. This promise was agreed to in the 2020 Cancun Agreements and reaffirmed every year since then; but this USD100 billion goal was met only in one year, 2022. The 2015 Paris Agreement pushed the goal post to 2025.

24- Feedback Loops: Melting ice caps, thawing permafrost, and deforestation create feedback loops that accelerate warming (for example, melting ice reduces Earth's albedo, leading to more heat absorption).

25- "...present development challenges causing high vulnerability are influenced by historical and ongoing patterns of inequality such as colonialism, especially for many indigenous peoples and local communities" (IPCC, 2022a: Full report: 745-747). Please also see: Intergovernmental Panel on Climate Change (IPCC) AR6 WGII, Summary for Policymakers, section B.5.2 Cross-Chapter Box INDIG), pg. 29 (IPCC 2022a)

26- "Protecting the world's forests is crucial for the climate. Forests absorb vast amounts of carbon dioxide and can be a source of greenhouse gas emissions when destroyed or damaged. Countries established the 'REDD+' framework to protect forests as part of the Paris Agreement. "REDD" stands for "Reducing emissions from deforestation and forest degradation" in developing countries. The "+" stands for additional forest-related activities that protect the climate, namely sustainable management of forests and the conservation and enhancement of forest carbon stocks. Under the framework with these REDD+ activities, developing countries can receive results-based payments for emission reductions when they reduce deforestation. This serves as a major incentive for their efforts". (UNFCCC, n.d.)

27- Subsequent meetings and complementary areas both at and following Rio also continued this trend. For example, Agenda 21 (UN, n.d.) highlighted the importance of promoting an open, non-discriminatory and equitable multilateral trading system, as did the 2002 Johannesburg Plan of Implementation (UN, 2002).

28- The Doha Development Agenda (DDA) was the flagship round of trade negotiations launched by the World Trade Organization in November 2001 in Doha, Qatar. Its primary and defining purpose was to rectify the imbalances in global trade rules that disproportionately disadvantaged global South countries. While never officially terminated, it has been abandoned as a viable framework for negotiation and thus is effectively dormant. The failure of the DDA illustrates the broken promise of a development-friendly multilateral trading system, signalling the unfulfilled ambition of a fairer global trade system.

29- Plurilateral agreements at the WTO are deals negotiated among a subset of the WTO's full membership, but within the WTO's legal framework. The so-called "Paris Group" of Agreements include:

- the Agreement on Government Procurement (GPA) which is the most significant active plurilateral. It opens government procurement markets between its parties. It has 21 parties, including the US, EU, UK, Japan, and Canada, covering 49 WTO members. It is a living agreement that is periodically renegotiated to expand coverage
- the Information Technology Agreement (ITA) which eliminates tariffs on a wide range of IT products (e.g., computers, semiconductors, software). It has over 80 participants, representing about 97 per cent of world trade in IT products. A follow-on, the ITA-II, expanded the product list but has not been concluded due to disagreements.

30- A slew of JSIs—so-called new rules on 21st-century trade issues-include:

1) JSI on Services Domestic Regulation (in force 2024)
2) JSI on E-Commerce (negotiated, 2024) – the first global rules on digital trade: prohibiting data localisation requirements, a permanent moratorium on electronic transmission
3) JSI on Investment Facilitation for Development, (under legal review); no Investor-State Dispute Settlement coverage
4) JSI on Trade and Environmental Sustainability (in negotiations) – A forum for discussions on the trade-environment nexus, focus is on trade in environmental goods and services
5) JSI on Informal Micro, Small and Medium-sized Enterprises (ongoing discussions).

Additionally, some WTO members are discussing a Multi-Party Interim Appeal Arbitration Arrangement —a kind of plurilateral mechanism for dispute resolution among participating WTO members. Azmeh (2024) argues many global South countries join JSIs to avoid marginalisation, even when terms are unfavorable.

31- The Carbon Border Adjustment Mechanism (CBAM) is only one of the instruments in the EU's unilateral policy toolkit that is part of the EU's geoeconomic trade policy discourse and its new "open strategic autonomy" approach (Kalimo et al., 2023; Gehrke, 2022). The CBAM covers iron and steel, aluminum, cement, fertiliser and electricity, and requires the purchase of CBAM certificates that report direct and indirect carbon emissions of these goods. It will adversely impact the competitiveness of global South countries' exports. For example, Zimbabwe exports 92 per cent of its iron and steel to the EU. India exports about USD4.25 billion worth of steel to the EU (Trading Economics, 2025). The African Climate Foundation and the London School of Economics Analysis estimates that Africa will lose USD25 billion (based on 2021 GDP), and equivalent to about four times EU's official development assistance to the continent (ACF and LSE, 2023). See also Magacho et al., (2024) and Partzsch et al. (2023).
32- Both depreciation and devaluation weaken the value of a currency, but the means are different. Devaluation is strategic move—a deliberate policy prescription (under a fixed or managed exchange rate system) whereas depreciation is a result of the market sentiment (when the exchange rate is floating). A devaluation is a powerful, often risky, tool. It can boost exports but also make imports more expensive, fuelling inflation. Depreciation is a market signal that may or may not require a policy response.
33- All of these governments had challenges managing the exchange rate due to shortage of dollars (reserves) etc. The Nigerian government floated the Naira. Egypt had to go to the IMF and in late 2022 reached a USD3 billion agreement which required the country to adopt a flexible exchange rate and implement structural reforms. And Argentina had steep depreciation due to a combination of factors including the central bank's foreign currency reserves dwindling due to low export revenues and high demand for dollars.
34- Overall, the Bridgetown Initiative goal is to mobilise vast amounts of climate finance and overall development finance:

- BI 1.0: Liquidity measures in terms of reforming the IMF facilities and instruments and development finance of multilateral development banks financed by Special Drawing Rights (SDR); mobilisation of private sectors for climate change mitigation.
- BI 2.0: Somewhat more comprehensive and disaggregated, combined with vague policy recommendations on tax, trade, debt relief, and non-monetary aspects of international financial architecture (IFA)-reform such as access criteria to concessional loans or government reform.
- BI 3.0: four new areas of policy reform include:
    - o Credit rating agencies to play a part in overhauling the current systemic biases against small, poor and vulnerable countries. This is not new in global discourse but it is the first reform agenda addressing this bias as BI demands transparency. See negotiations on *Summit of the Future* (Global Policy Forum, 2023; BWP, 2023).
    - o Carbon pricing – governments to establish a coupon price taking into account the Paris Principles and level of development in order to support development of a global carbon pricing framework that is just and equitable. International institutions to deliver this. This is not new; see G20 and Paris Summit negotiations.
    - o Special Drawing Rights Allocation – IMF and shareholders to agree on USD500 billion SRD issuance. See also negotiations in *Summit of the Future*.
    - o Philanthropic global public goods (GPG) financing – philanthropies to agree to a global compact that a defined portion of their finance would go to GPGs. BI 3.0 introduced the idea of embedding philanthropic flows into a "compact" implying predictability, coordination, accountability and alignment with public development goals rather than being fragmented, duplicative or disconnected from broader reform efforts.

BI 3.0 was released for consultation May 28, 2024. As of October 2025, it remains listed on its website as a draft. In as much as the B3.0 is focused on "paradigm shift in the discourse on scaling capital flows and reshaping the financing system to achieve the SDG and spur climate action" (Government of Barbados , 2024: 2) it has drawn the support of the Climate Vulnerable Forum (CVF-20, n.d.), Accra-Marrakech Agenda (CVF-20, 2023) and the Principles of the Global Climate Financing Framework (UN, 2023).
35- However, the Macron *Summit on a New Global Financing Pact* (2023) achieved very little and raised serious questions of legitimacy about France as a honest broker in discussion about a new financial architecture: 1) Who is France to talk about engineering a new financial pact, given its disastrous relationship with Haiti's odious debt and its tangled and exploitative relationship through the maintenance of the CFA in Francophone Africa? 2) Has France met its 0.7 percent of GDP? and 3) A significant proportion of France's contribution to the Green Climate Fund consists of loans. When will it shift to providing primarily grants? See also Gabor and Sylla (2023).
36- The idea of a Pandemic-type clause was introduced into Grenada debt in 2015.
37- Key dynamics include:
1) The ebb and flow of the "Pink Tide":

- First wave (2000s): Chávez, Lula, Kirchner, Morales - ALBA, Banco del Sur, CELAC momentum
- Retrenchment (2015–2019): Macri (Argentina), Temer/Bolsonaro (Brazil), Moreno (Ecuador)
- Fragmented second wave (2021–): Lula (Brazil), Petro (Colombia), Boric (Chile), AMLO/Sheinbaum (Mexico) — without a unified regional economic strategy

2) Electoral turnover undermining continuity of regional financial institutions
3) US financial and geopolitical pressure, including sanctions regimes affecting Venezuela and Cuba
4) Commodity dependence and fiscal tightening, reducing capitalisation capacity

5) Absence of a binding supranational mandate comparable to ASEAN+3 or the AU
See Levitsky and Roberts (2011) and Cleary (2006) on the ideological heterogeneity and fragility of Latin America's "left turns"; ECLAC (2024) on the stop–start nature of regional integration and the impact of electoral turnover on institutional continuity; and Sanahuja (2025) on the weakening of post-liberal regionalism amid renewed geopolitical and financial constraints.
38- Feminist political economy analyses highlight how macroeconomic volatility, debt adjustment, and regional governance failures are deeply entangled with crises of social reproduction and care (Esquivel, 2011; Esquivel, 2016). In the Latin American context, scholars emphasise how informality, gendered austerity, and weak care infrastructures undermine the political legitimacy and durability of regional economic initiatives (Esquivel, 2011; ECLAC, 2024).
39- The ACGF is an ASEAN Infrastructure Fund initiative supporting governments in Southeast Asia to prepare and finance infrastructure projects that promote environmental sustainability and contribute to climate change goals. The ACGF is owned by ASEAN governments and ADB and is managed by ADB's Southeast Asia Green Finance Hub (ADB, n.d.a)
40- A regional financing facility with a target capital of USD1.5 billion, established by the Pacific Islands Forum to build community preparedness and resilience against the impacts of climate change and the frequent and intense disasters that hit the region every year (PIF, n.d.)
41- In theory, PAPSS will give Africa's 1.2 billion residents free economic access to each other in a manner not dissimilar to the EU, NAFTA and Mercosur. While this is a long-term vision, an intermediate step is the idea of creating five monetary zones to correspond with the five geographical zones of continental Africa.
42- M-Bridge is a cross-border payment platform jointly developed by the central banks of China, Thailand, the United Arab Emirates, and Hong Kong, in collaboration with the Bank for International Settlements (BIS) Innovation Hub. M-Bridge allows direct settlement in national digital currencies (e.g., digital yuan, dirham, or baht), drastically reducing dependency on correspondent banks. It potentially offers a technological foundation for digital dedollarisation and for future interoperability with platforms like BRICS Pay. BIS has been retreating from the project due to pressure from President Donald Trump, who is very much against any movement that whiffs of weakening the hegemony of the US dollar. BIS is the central bank for central banks and M-Bridge – though an experimental project for efficiency and financial inclusion, and theoretically neutral – is effectively a prototype for dedollarised cross-border settlements that bypass the US led SWIFT and US intermediary banks.
43- The efforts to decolonise the trade system include taking actions to "de-perpetuate" colonial era patterns of resource extraction and exploitation and dismantle trade systems that promote and maintain structural inequalities that benefit the North at the expense of the South. Such actions include seeking higher value-addition in commodities trade (processing minerals locally rather than exporting raw materials) and advocating for fairer commodity pricing mechanisms (for agricultural and natural resources). This is aimed at reducing dependency, fostering regional trade and reducing reliance on exploitative trade relationships with the North. Some countries focus on empowering local communities through fair trade policies and reindustrialization (productive transformation) strategies—including local processing, domestic manufacturing, and regional value-chain development—as pathways to building sovereign industries and reducing dependency on exploitative trade relationships with the global North.
44- The Brazil Africa bio-ethanol programme sharing is a case in point.
45- See Williams (2025) for a full examination of BRICS.
46- CNY: Chinese Yuan Renminbi, INR: Indian Rupee, BRL: Brazilian Real and ZAR: South African Rand. CNY–INR: bilateral trade and settlement between China and India using their respective local currencies, rather than the US dollar; BRL–ZAR: bilateral or intra-BRICS trade settlement between Brazil and South Africa in their national currencies. This arrangement aims to reduce exchange-rate risk, transaction costs, and dependence on dollar-based clearing systems. It allows exporters and importers in both countries to invoice and settle directly in yuan or rupees through designated banks. It seeks to promote South–South currency cooperation, facilitate trade and investment flows, and build a multi-currency financial ecosystem within BRICS.
47- Sovereign Wealth Funds (SWFs) are state-owned investment funds that manage a country's surplus financial assets for long-term strategic, macroeconomic, and intergenerational objectives. They are typically funded by foreign exchange reserves, commodity export revenues (such as oil, gas, or minerals), fiscal surpluses, or privatisation proceeds. SWFs invest across a broad range of asset classes—including equities, bonds, real estate, infrastructure, and private equity—often with a long-term investment horizon. In this way they differ from central bank reserves which are held primarily for liquidity and balance-of-payments purposes. SWFs exist to help governments manage macroeconomic risks, stabilise public finances, and transform temporary or volatile revenues into sustainable long-term wealth.
48- Central banks reducing holdings of USD and increasing other currencies (RMB, Euro, gold).
49- International transactions settled in local currency etc.
50- Non-dollar debt or loans or bonds etc. denominated in alternative currencies.
51- Bypassing dollar-based systems such as SWIFT or increasing the use of bilateral currency swap lines.
52- The term "green mercantilism" is used by Gonzales and Verbeek (2025). They note that the EU in its search for critical materials is weaponising the WTO trade policy apparatuses against resource rich countries. A handful of countries dominate the mining and/or production of such materials, notably the Democratic Republic of the Congo (cobalt), Australia (lithium), Chile (copper and lithium), China (graphite), and Indonesia (nickel). China is the most dominant country in processing minerals, with a 100 per cent share of the global refined supply of natural graphite, over 90 per cent of manganese, 70 per cent of cobalt, almost 60 per cent of lithium, and roughly 40 per cent of copper (Gonzalez and Verbeek, 2024).

53- US geology is rich in iron, copper, zinc, lithium, molybdenum, gold, silver, platinum group metals, and phosphate. It is a world-leader in the extraction of copper (fifth globally), molybdenum (fourth), palladium (fifth), phosphate (third), and gold (fifth) (Allan and Goldman, 2025; USGS, 2024; IEA, 2021).
54- The Global Development Initiative is a multilateral development initiative proposed by China to promote sustainable development and achieve the 2030 Sustainable Development Goals. One of its key project implementation mechanisms is the Global Development Promotion Centre and its network which as of April 2025, has seventy-five members: seventy-one countries, four institutions (African Union, United Nations Industrial Development Organization, United Nations Economic and Social Commission for Asia and the Pacific, International Federation of Red Cross, and Red Crescent Societies) and Jordan as an observer.
55- It is important to note that from the perspective of the US (Trump), this derisking strategy also extends to deep sea mining.
56- Bans on the sale of high-end chips such as the most powerful AI training chips from companies like NVIDIA (for example, A100, H100) and AMD to China aim to slow China's progress in AI and other critical technologies (like semiconductors, quantum computing, and biotechnology).
57- The name change from Department of Defense to the Department of War has yet to be approved by Congress. Trump's OBBA bill has funding for critical metal purchases.
58- Decentring as the overarching concept is more nuanced and accurate than just "dedollarisation". It is also less politically loaded. It perfectly captures the idea of a gradual, multi-faceted shift in the financial ecosystem's centre of gravity (Eichengreen, 2021; Jeanne, 2012; Cohen, 2019; Eichengreen et al., 2019).
59- Following Deleuze's reading of exhaustion, we have reached a phase in which the dominant paradigm has effectively "exhausted the possible": it continues to operate, but only by recombining already-spent forms, without any remaining internal capacity for renewal. This exhaustion is the precondition for rupture — the opening to something genuinely new.
60- There is also strong dissonance in this mantra of human rights and no one left behind in tepid responses or indifference to the suffering of children, women and men in countries where their struggles are deeply entangled with great-power politics, external strategic interference, or geopolitical rivalry. These include Sudan, DRC, Yemen and others in the Sahel region of Africa.
61- This is also a source of its power as demonstrated by China in the current (October 2025) phase of the US trade war with it. China has signalled that it will match US actions with reciprocal action—"if the US sanctions a Chinese company, they're going to sanction a US company. If we impose export controls on technology, they're going to do export controls on technology" (Hawkins and Kine, 2025). China also has export controls on critical minerals, in particular exports of rare earth. China controls about 60 per cent of production and nearly 90 per cent of refining of rare earth minerals. These are crucial for elements for various high-tech applications, including electronic vehicles, and military technology.
62- Already there is projection of greater US involvement in the region in terms of financing more raw materials extraction. American stakeholders warn that if the US wants to forestall or supplant China in the region, the US should also focus on assisting these countries in developing downstream capacities beyond raw graphite extraction (Net Zero Industrial Policy Lab, n.d.).
63- "Emissions reduction anywhere benefit people everywhere" (Real Climate Economics, n.d.)
64- Deleuze uses "exhaustion" to describe a state in which all possibilities within a given system or situation have been actualised — the "possible" itself is depleted. This condition, he argues, precedes the emergence of a new image of thought or creative paradigm.
65- In Deleuzean terms, they are rhizomatic (horizontal, networked) as opposed to arborescent (tree-like, hierarchical) models (Deleuze & Guattari, 1987).
66- Rising interest rates used to curb inflation can indeed deepen inequality, especially in the global South, through several well-documented channels: 1)**Demand compression is regressive** (higher interest rates reduce aggregate demand primarily); 2) **Distributional asymmetry** (inflation control via rate hikes protects asset values and financial stability, benefiting wealth holders, financial institutions and external creditors; meanwhile, labour incomes, employment, and social spending are more likely to be squeezed; and 3) **Global South amplification** (in developing economies, higher rates often trigger capital outflows; raise sovereign debt-servicing costs and force fiscal austerity). This limits counter-cyclical spending, reinforcing both between-country and within-country inequality. In this way the monetary strategy itself becomes part of the inequality transmission mechanism, not merely a neutral stabilisation tool.

AUTHOR

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