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Currency Choice under the Shadow of Dollar Hegemony: A Comparative Analysis of BRICS Bridge and the Euro in International Political Economy

Jia-Ying Lyu^{1*}

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ABSTRACT

This study examines the strategic and institutional dimensions of currency choice under U.S. dollar hegemony. It contrasts the Euro's stable but dollar-bound system with BRICS Bridge's decentralized, de-dollarized clearing approach. While the Euro offers institutional coherence, it remains structurally tied to the dollar-based system. BRICS Bridge promotes sovereign inclusivity but faces challenges in consolidation due to member asymmetries. The analysis shows that global currency competition is increasingly shaped by power, sovereignty, and governance struggles. The paper calls for enhanced multilateral coordination and cross-system clearing solutions.

INTRODUCTION

Since the end of World War II, the U.S. dollar has established its status as the world's primary reserve currency and main medium of international settlement, serving as the central hub of the international financial system over the long term (Costigan *et al.*, 2017). Its hegemonic status is evidenced not only by accounting for over 60% of global foreign exchange reserves and trade invoicing practices, but also by the dominance of dollar-based financial infrastructure such as the SWIFT network, the Fedwire settlement system, and the depth and liquidity of the U.S. Treasury market (De Goede, 2012). While this system architecture ostensibly provides stability and liquidity, it in fact enhances U.S. control over global capital flows, financial sanctions, and monetary policy spillovers, thereby forming a prototypical structure of monetary hegemony. Such hegemony not only reflects the monetary extension of economic power but also implicates the unequal distribution of geopolitical authority, resulting in diminished institutional agency for other sovereign states in financial governance and monetary sovereignty. These states are thus compelled to operate under a dollar-centric regulatory regime over the long term.

However, with the reconfiguration of geopolitical landscapes and the intensification of international political multipolarity, institutional backlash against the dollar-centric system has become increasingly pronounced. In particular, since the 2008 global financial crisis, the U.S.'s expansionary monetary policy and weakening fiscal discipline have exposed emerging and export-oriented economies to capital flow reversals and imported inflationary pressures, thereby generating deep institutional concerns about dollar dominance (Fratzscher, 2009). Furthermore, since the outbreak of

the Russia–Ukraine war in 2022, the United States and the European Union have jointly imposed sweeping financial sanctions on Russia, freezing its foreign reserves and restricting access to settlement channels. This has rendered the dollar and euro systems instruments of geopolitical strategy, prompting heightened vigilance among non-Western states including China, India, Brazil, Iran, and Saudi Arabia regarding financial sovereignty and the security of trade settlements. Against this backdrop, the BRICS-centered multilateral monetary and settlement cooperation framework referred to as the BRICS Bridge has gradually emerged as one of the most institutionally viable alternatives to the dollar-based system (Putri & Santoso, 2023).

In contrast, while the euro is not a direct counter-hegemonic instrument, it has since its inception borne the dual mission of consolidating European monetary sovereignty and counterbalancing the monopolistic role of the U.S. dollar. As the second-largest global reserve currency and trade settlement tool, the euro represents the institutional achievement of regional monetary integration and operates under the highly harmonized and standardized framework of the European Central Bank (ECB) system (Gadanez & Jayaram, 2008). Nevertheless, the strategic relationship between the euro and the dollar is complex: it involves both monetary competition and institutional co-dependence, fundamentally embedded in the transatlantic geopolitical alliance. Therefore, despite possessing monetary system autonomy, the euro has not evolved into a globally viable counter-hegemonic currency and remains unlikely to be perceived as a feasible dollar alternative by non-Western actors.

This study aims to examine a central question: under the contemporary conditions wherein U.S. monetary hegemony is increasingly contested, what kinds of

¹ School of Finance and Accounting, Fuzhou University of International Studies and Trade, China

* Corresponding author's e-mail: m0227118@gmail.com

international political-economic strategies are reflected in the design of two alternative monetary systems namely the BRICS Bridge and the euro? What institutional, governance, and international acceptance differences do these systems exhibit? This inquiry seeks to clarify the motivations, institutional dilemmas, and geopolitical considerations underlying various de-dollarization mechanisms and to analyze their potential to reshape the existing international monetary order. In order to avoid reducing these institutional shifts to issues of technical efficiency or functional optimization, the study adopts an institutionalist perspective within the field of international political economy. It treats monetary systems as vehicles for redistributing power and restructuring geopolitical configurations, with an emphasis on the political sovereignty, strategic autonomy, and institutional antagonism underlying currency choices.

MATERIALS AND METHODS

This research employs a combination of comparative analysis and literature review. It conducts an in-depth institutional comparison of the BRICS Bridge and euro systems by analyzing their currency issuance mechanisms, governance structures, and settlement operations. The study also evaluates their performance in fulfilling core currency functions such as unit of account, medium of exchange, and store of value as well as their cross-border acceptance and financial stability. Furthermore, the study expands this analysis to examine the geopolitical strategies and aspirations for international order restructuring embedded in these systems. The theoretical framework draws upon Charles Kindleberger's theory of hegemonic stability to explain how the global monetary order depends on a dominant power providing liquidity and acting as lender of last resort (Webb & Krasner, 1989), and it incorporates Benjamin Cohen's theory of monetary space (2015), which conceptualizes international currency competition as an asymmetrical and regionally stratified political process. Together, these theories offer a dual analytical lens one centered on institutional stability, the other on power contestation which enables a deeper understanding of why institutional currency choices are emerging as a core issue in the transitional phase between the waning dollar order and the formation of a new global monetary regime.

This paper is structured into five main parts. Following the introduction, Part Two outlines the theoretical foundations of monetary hegemony, hegemonic stability, and institutional substitution, and provides a critical review of the relevant literature. Part Three presents a comparative institutional analysis focusing on currency issuance, governance frameworks, and financial infrastructure. Part Four offers a geopolitical and strategic perspective on the political-economic logics behind the currency choices of the euro and the BRICS Bridge. The final part synthesizes the findings and offers policy-oriented observations and recommendations concerning institutional transformation under the trend

of multipolarization in global financial governance. By comparing institutional and strategic dimensions, this study aims to enhance the understanding of global monetary restructuring and to provide a systematic analysis of the political logic embedded in alternative de-dollarization strategies.

LITERATURE REVIEW

Theoretical Framework

The formation and maintenance of the international monetary order have never been solely the result of economic efficiency in transactions; rather, they reflect the broader structure of international power and institutional arrangements. Since the collapse of the Bretton Woods system, the contemporary monetary order has progressively evolved into a U.S. dollar-centric reserve currency regime. This system is characterized by the unilateral provision of global liquidity by the United States, the global spillover effects of its monetary policy, and the establishment of a vast financial network centered on dollar-denominated capital markets (Solt, 2024). These features constitute a prototypical monetary hegemonic structure, whereby a single national currency performs the functions of reserve asset, unit of account, and medium of exchange on a global scale, thus enabling its issuer to dominate international financial governance and the regulation of capital flows. Monetary hegemony is not merely a product of transactional advantages; it is an extension of sovereign power and reveals the institutional function of money as an instrument of global influence. The theoretical foundation of monetary hegemony can be interpreted through Cohen's (2015) "theory of monetary space," which posits that international currency competition is not governed by market efficiency alone, but rather by a spatially exclusive structure shaped by state sovereignty, economic scale, network effects, and institutional trust. Within this framework, only a few states are capable of transcending the boundaries defined by their own domestic legal jurisdictions, enabling their legal tender to attain transnational usage and credibility while displacing local currencies in both valuation and payment domains. This process results in the "collectivization" of currency functions, wherein the majority of global transactions are consolidated into a few sovereign currencies, ultimately producing currency monopolies and systemic dependence on specific clearing arrangements. The resulting unequal currency geography leads to institutional marginalization of non-hegemonic currencies and the political erosion of financial sovereignty.

From a complementary perspective, Kindleberger's theory of hegemonic stability provides a structural explanation of monetary hegemony. This theory asserts that global economic stability requires a hegemonic power willing and able to provide international public goods, including a stable currency, lender-of-last-resort functions, open markets, and crisis management capabilities. Under this paradigm, the stability of the dollar-based system rests on

the size of the U.S. domestic market, its fiscal expansion capacity, and the trust embedded in its institutional credibility (Gowa, 1989). However, this theory also reveals a critical paradox: institutional stability is contingent upon hegemonic dominance. Once the hegemon becomes unable or unwilling to fulfill its stabilizing role, the system may enter a state of crisis. Since the 2008 global financial crisis, the United States' export of financial risk and its unilateral policy responses have exposed the inherent fragility and imbalance within the structure of hegemonic stability.

Against the backdrop of these two theoretical perspectives, the feasibility and challenges of institutional substitution emerge as key analytical issues. According to the logic of the monetary space theory, any substitute for a dominant international currency must possess political stability, macroeconomic soundness, legal and regulatory credibility, and a robust settlement infrastructure. Furthermore, the development of sustained network effects is necessary for any alternative to gradually replace the hegemonic currency. From the vantage point of hegemonic stability theory, institutional substitution must not only fulfill technical and structural prerequisites but also respond to the political demand for public goods provision. Without such attributes, any substitute monetary system risks being relegated to the status of a political or regional alliance instrument, lacking broad international legitimacy.

Among existing institutional arrangements, the euro is frequently identified as the only system capable of posing a potential challenge to the dollar's dominance. Built upon the foundations of the European Single Market and political integration, the euro operates as a unified currency system under the governance of the European Central Bank (ECB), offering a degree of policy consistency and institutional legitimacy (Kaikati, 1999). Nevertheless, the euro's structural limitations stem from the absence of a single fiscal authority and the separation of monetary and fiscal policies, which weaken its crisis-response capacity. Moreover, the substantial economic heterogeneity within the eurozone results in recurring debt risks and policy divergence, thereby undermining trust in the system and limiting the pace of international diffusion. Although the euro ranks second to the dollar in global foreign exchange reserves and cross-border payments, it remains far behind, reflecting the constraints imposed by internal political coordination costs and persistent strategic dependence on the United States.

As for the BRICS framework, in recent years it has responded to the expanding reach of dollar hegemony and the restructuring of Western sanctions regimes by gradually formulating a de-dollarization-centered institutional alternative. Member states have promoted this agenda through mechanisms such as local currency settlement, bilateral currency swap lines, the New Development Bank (NDB), and experimental integration of cross-border payment systems. Scholarly literature indicates that these institutional arrangements embody

two key logics: "monetary sovereignty" and "structural defiance." On one hand, BRICS countries aim to enhance their own financial infrastructure and sovereign clearing capabilities to reduce dependence on the dollar-based system. On the other hand, their multilateral initiatives are intended to challenge the unipolar governance logic of the Western-centric order (Aggarwal, 2020).

Under the BRICS Bridge proposal, the platform is envisioned to integrate member states' clearing systems, establish multilateral pricing and quotation mechanisms, and utilize blockchain technology to facilitate real-time cross-border payments and data sharing (Kim & Lampkins, 2018). This effort represents not only a technical innovation in settlement mechanisms but also an institutional experiment in de-dollarization. Nonetheless, the BRICS framework faces persistent challenges related to its internal heterogeneity. Variations in political systems, divergent geopolitical strategies, differences in currency stability, and internal rivalries contribute to the fragility of its institutional integration and the absence of cohesion. Although the decentralized governance model is designed to mitigate the risk of hegemonic dominance by a single actor, it simultaneously increases negotiation costs and introduces substantial uncertainty in institutional implementation and governance effectiveness.

Taken together, the above theoretical frameworks and literature suggest that monetary hegemony is inherently a product of asymmetric institutional arrangements. To mount an effective challenge, any prospective alternative must simultaneously possess institutional legitimacy, technical integrability, and political acceptability. The euro and BRICS Bridge represent two distinct strategic logics: one aims for institutional integration via regionally consistent design to construct a shared-sovereignty currency system, while the other aspires to build a platform for structural resistance through multilateral negotiation and local currency cooperation. Building on this foundation, the subsequent sections of this study will examine the institutional design and geopolitical implications of each system, assessing which architecture is more capable of addressing the demands and challenges of a multipolar global monetary governance order amid the gradual loosening of the dollar system.

The Financial Architecture and Governance Model of the Euro and the BRICS Bridge Issuance Structure and Clearing Logic

The foundational structure of a monetary system begins with its institutional arrangements for currency issuance and clearing capabilities. Whether based on a single-sovereign currency framework or a multilateral cooperation architecture, the system's effectiveness hinges on the legitimacy of its issuance mechanism, the autonomy of its clearing system, and the structural stability of cross-border liquidity. Against the backdrop of waning monetary hegemony and rising calls for de-dollarization, the euro and the BRICS Bridge respectively represent regionally integrated and multilateral

cooperative monetary frameworks. They display marked differences in issuance logic and operational clearing strategies, each reflecting distinct institutional intents. The euro system, officially launched in 1999, is centered around the European Central Bank (ECB), which holds exclusive authority over unified currency issuance and policy coordination. The system is predicated on the partial delegation of monetary sovereignty by EU member states, with eurozone countries adopting the euro as legal tender and relinquishing the right to issue domestic currencies. The ECB operates independently, managing interest rates, liquidity provision, inflation targeting, and foreign exchange interventions. Its policies are formulated through a technocratic mechanism within the European institutional framework, ensuring both systemic stability and operational consistency. On the clearing front, the eurozone relies on TARGET2 (Hristov *et al.*, 2018) and T2S for securities settlement (van Wageningen, A., 2016), facilitating real-time processing of cross-border payments and efficient integration of sovereign bond settlements. This highly centralized and standardized technical framework enhances the euro's substitutability in cross-border transactions and institutional trust as a reserve currency, thereby laying the foundation for its internationalization.

By contrast, the BRICS Bridge remains in the early stages of development as a de-dollarization settlement platform. Its institutional logic does not rest on a single issuing authority; rather, it seeks to establish a multilateral local currency settlement system through coordinated efforts among member states. The system lacks a central issuing body and instead depends on inter-central bank cooperation to enable currency interoperability, exchange rate clearing, and infrastructure integration. In essence, the BRICS Bridge represents a decentralized issuance model. Rather than forming a unified monetary system, it functions as a "settlement bridge" based on local currency standards and bilateral mutual recognition. Utilizing digital technologies and blockchain interfaces, it facilitates real-time cross-border payments and low-cost clearing, aiming to reduce reliance on the U.S. dollar and the SWIFT network (Lee & Sims, 2024).

The institutional orientation reflected in the BRICS Bridge emphasizes egalitarian participation, decentralized issuance, and policy flexibility. Its clearing mechanism is expected to adopt blockchain or distributed ledger technology (DLT) to enable direct interoperability among central banks, conducting exchange rate calculations and transaction settlements via preset smart contracts. The architecture may incorporate digital currencies (e.g., CBDCs or stablecoins) as intermediary assets to ensure neutral clearing. This design seeks to circumvent U.S. regulatory extension and payment surveillance while constructing the foundation for monetary sovereignty through direct local currency settlement (Peruffo *et al.*, 2025). Compared to the euro's fiat unification and central bank integration model, the BRICS Bridge exemplifies a looser yet more technologically adaptive structure, suitable

for a multilateral framework characterized by institutional heterogeneity and strong sovereignty consciousness.

From the perspective of institutional legitimacy, the euro's issuance is centrally managed by the ECB with strong legal authorization and parliamentary oversight. Its monetary stability mandate and policy predictability align with conventional rationales of monetary governance, offering international financial markets a relatively stable credit expectation. However, its internal weaknesses lie in structural disparities among member economies, uneven policy transmission, and the separation of monetary and fiscal responsibilities, which can create rigidities in crisis scenarios. While the BRICS Bridge has yet to form a fixed or legally codified architecture, its high flexibility allows members to adjust cooperation models based on their own monetary and exchange rate policies, offering strong adaptability and political acceptability. Nevertheless, the absence of a central issuing mechanism and unified governance body means that clearing trust must be built on bilateral and multilateral consensus, making it difficult to develop a system with scale effects comparable to the dollar in the short term.

RESULTS AND DISCUSSION

Results

The comparative analysis reveals three key findings. First, the euro system demonstrates high degrees of monetary integration and regulatory coherence, providing internal stability but lacking strategic independence from the dollar system. Second, the BRICS Bridge emphasizes institutional decentralization and political flexibility, but remains at a conceptual and experimental stage with limited operational coherence. Third, while the euro performs better in terms of international acceptance and financial market trust, the BRICS Bridge is more aligned with the political objectives of de-dollarization and monetary sovereignty. However, both systems face substantial internal constraints that limit their ability to displace the dollar in the short-to-medium term.

In terms of clearing logic, the euro system, through TARGET2 and the European Payments Directive system, provides a stable and efficient settlement process that is deeply integrated with global financial markets. It is interoperable with IMF and BIS standards, and its liquidity is concentrated in financial hubs like London and Frankfurt, reinforcing the euro's clearing capacity as a global reserve currency. By contrast, the BRICS Bridge has not yet established interoperability with major international clearing systems. Its clearing path is primarily focused on regional local currency usage and technological autonomy, with the aim of constructing a financial information and value transmission system independent of Western oversight. This divergence reveals a fundamental strategic distinction: the euro follows a logic of "intra-system reform," whereas the BRICS Bridge pursues "extra-systemic reconstruction."

In summary, the euro's issuance structure is centralized, highly institutionalized, and supported by strong legal

legitimacy. Its strengths lie in systemic stability and policy coherence, while its weaknesses stem from heavy coordination burdens and internal structural asymmetries. The BRICS Bridge adopts a decentralized local currency settlement model, emphasizing flexibility and political autonomy. Its advantages include institutional resilience and sanction resistance, whereas its limitations involve the absence of clear governance institutions and continuous institutional frameworks. These two logics represent contrasting strategic responses to dollar hegemony and provide a comparative institutional foundation for analyzing their respective governance models and internationalization potential.

Governance Structures and Institutional Consensus Mechanisms

The euro system's governance is anchored in the European Union's constitutional framework and the institutional foundation of the European Single Market. Its core institutions include the European Central Bank (ECB) and the European System of Central Banks (ESCB). The ECB, as an independent entity, is responsible for formulating and implementing monetary policy. Its decision-making body, the Governing Council, comprises the ECB's Executive Board members and the governors of the national central banks of the euro area countries. Decisions are made through a voting system that ensures equal participation among member states, with a rotation mechanism introduced to maintain efficiency as the number of members increases. The ECB operates with a high degree of legal autonomy, free from direct political interference, and is subject to institutional oversight by the European Parliament and the Court of Justice of the European Union. This dual-track model of "technical governance and political oversight" ensures both stability and accountability.

In contrast, the BRICS Bridge, still in its formative stage, lacks a centralized governance structure. It operates on a consensus-based decision-making model, where each member country's central bank and finance ministry coordinate policies and technical standards through mutual agreement. This decentralized approach emphasizes equal participation, non-centralized decision-making, and autonomy from sanctions, allowing each country to determine its level of involvement and risk tolerance. However, the absence of a formalized decision-making process and dispute resolution mechanism poses challenges to the system's coherence and effectiveness.

Internationalization Potential and Currency Acceptance

The euro, since its inception, has aimed to establish itself as a global reserve currency. As of 2022, it accounted for approximately 20.5% of global foreign exchange reserves, maintaining its position as the second most utilized reserve currency after the US dollar. The euro's internationalization is supported by the EU's large unified market, deep financial instruments, transparent regulations, and comprehensive clearing systems. The ECB's independence and forward-looking policy

framework further enhance the euro's credibility and stability.

Nevertheless, the euro faces limitations in its international acceptance. Internal economic disparities among eurozone members and sovereign debt risks undermine the perception of the euro as a stable, unified currency. Additionally, the euro's close alignment with the US in geopolitical matters limits its appeal as an alternative to the dollar in the context of de-dollarization efforts.

The BRICS Bridge, as a conceptual framework, seeks to enhance the use of member countries' local currencies in international transactions, thereby reducing reliance on the US dollar. Its strategy focuses on multilateral agreements and de-dollarized settlements rather than promoting a single sovereign currency. This approach theoretically offers potential for regional financial diversification and monetary sovereignty, especially amid increasing sanctions and financial exclusion by Western powers.

However, the BRICS Bridge faces significant institutional challenges. Most member countries' currencies, except for the Chinese yuan, lack substantial international usage. Disparities in exchange rate mechanisms and capital account openness among members hinder policy coordination and market integration. Furthermore, geopolitical rivalries, such as those between China and India, impede consensus-building and institutional cohesion.

In terms of acceptance, the BRICS Bridge has yet to establish clear financial assets or payment instruments. While China has promoted the digital yuan for cross-border use, concerns about political neutrality and clearing trust persist. Russia's ruble, affected by sanctions and exchange rate volatility, further complicates the platform's stability and credibility. Currently, the BRICS Bridge's international acceptance remains more symbolic than substantive, lacking the scale and structural integration to challenge the dominance of the US dollar or the Euro.

In summary, the euro and BRICS Bridge represent two contrasting approaches to monetary cooperation and internationalization. The euro's centralized, legally grounded structure offers stability and predictability but is constrained by internal economic disparities and geopolitical alignments. The BRICS Bridge's decentralized, flexible model aligns with the political aspirations of its members but faces significant hurdles in establishing institutional trust and market acceptance. The success of either system in the evolving global financial landscape will depend on their ability to translate political intentions into credible, functional institutions that meet the demands of international markets.

Strategic Comparative Analysis: Divergent Regional Logics and Institutional Objectives

European Integration and Strategic Coordination with the Dollar System

Although the institutional construction of the euro is nominally grounded in regional economic integration,

the underlying geopolitical logic and its interaction with the global financial order are critical determinants of its systemic stability and international status. As a product of European monetary integration, the euro not only symbolizes centralized economic sovereignty but also reflects, at the strategic level, a structural coordination and institutional interdependence between the European Union (EU) and the United States. From the perspective of hegemonic stability theory and institutional dependency theory, the relationship between the euro and dollar systems is not one of pure competition, but rather a dual structure of “institutional co-opetition” and “strategic division of labor.” This structure significantly shapes the euro’s international strategic function and its substantive role in an increasingly multipolar global financial order.

European monetary integration originated in the post-Cold War realignment of geopolitical strategies. Beyond economic coordination and market unification, the policy motive was to enhance regional cohesion and institutional stability by establishing a single currency, thereby counterbalancing the United States’ monopoly within the global financial system. The euro’s creation was intended to challenge the dollar’s status as the sole global reserve currency. Especially as Europe sought greater autonomy in international economic and diplomatic affairs, the single currency was seen as a vital instrument supporting “strategic autonomy.” However, in practice, the euro system has not truly detached from the dollar-dominated institutional framework. Instead, it has evolved into a deeply coupled system of financial collaboration with the dollar (Hellendoorn, 2025).

This coupling is manifested on multiple levels. First, the euro and the dollar form a complementary structure within global capital markets. European financial markets are highly dependent on dollar liquidity, and European banks hold substantial dollar-denominated assets to manage cross-border liquidity. Second, while the European Central Bank (ECB) enjoys policy independence, it must closely monitor the U.S. Federal Reserve’s (Fed) policy trajectory. In areas such as interest rate decisions, quantitative easing, and liquidity adjustments, the ECB frequently aligns with the Fed, revealing how its policy space is constrained by the macroeconomic environment of the global dollar system. Third, although the euro’s international clearing infrastructure has some independence (e.g., TARGET2), its reliance on SWIFT and dollar-based cross-border payment channels remains substantial, limiting its capacity to establish institutional insulation.

More critically, the EU maintains tight cooperation with the U.S. in external economic and security policies, particularly within global economic governance forums such as the G7, IMF, and WTO, where the U.S. and EU often jointly shape rules and standards. This strategic alignment prevents the euro from emerging as a genuine institutional challenger to the dollar. Instead, it remains embedded within a transatlantic financial governance framework. In cases of major sanctions and capital

control policies such as those targeting Iran and Russia the EU and U.S. frequently adopt unified stances. Although the EU has attempted to propose alternative payment mechanisms (e.g., INSTEX), their practical effectiveness is constrained, as European banks continue to fear retaliation in dollar markets and the risks of cross-border sanctions, revealing a disjuncture between institutional intent and structural reality (Meissner, 2025).

The euro system’s strategic limitations are further compounded by fragmented policy authorities and high coordination costs. To maintain monetary policy consistency, the ECB must engage in extensive negotiations among the 19 eurozone central banks and EU political institutions, resulting in sluggish policy implementation and limited flexibility. In contrast to the U.S., where the central bank and Congress can quickly mobilize in response to crises, the euro system demonstrated coordination failures and delayed policy responses during both the sovereign debt crisis and the COVID-19 pandemic. These episodes undermined its institutional credibility in international markets. Without a centralized fiscal authority, the euro also lacks a rapid rescue mechanism in the face of sovereign debt risks, often relying on the intervention of core states such as Germany and France, thereby revealing structural instability in its institutional design.

Nevertheless, the euro retains substantial institutional value as a symbol of regional monetary integration, contributing to internal market unification, regional financial governance, and European sovereignty. For Central and Eastern Europe and the Mediterranean periphery, the euro offers institutional accession criteria and a stable monetary framework that enhances regional economic integration and policy transparency. Its degree of internationalization can also be interpreted as an extension of institutional rule export, particularly as the euro becomes a transaction currency in parts of EU trade with Africa and Latin America, indicating modest external potential. Additionally, the euro has taken a leading role in climate finance, green bonds, and sustainable finance, promoting international standards and reinforcing its legitimacy as a rule-setting actor in financial governance.

In conclusion, the euro-dollar relationship is not one of antagonism, but of strategic coordination and institutional co-dependency. The euro system is highly integrated and consistent in its institutional design, with stability rooted in regional governance rather than global hegemony. Its institutional strengths lie in policy coherence and intra-regional risk sharing. However, these same structures are constrained by reliance on dollar liquidity and financial infrastructure, and by an external strategy that cannot fully detach from the transatlantic alliance. As a result, in the emerging multipolar global financial order, the euro may be viewed as a systemic branch of dollar hegemony rather than a driver of strategic realignment. It is therefore ill-positioned to lead the global de-dollarization movement making it a clear contrast to the external, system-disruptive strategy represented by the BRICS Bridge.

Strategic Intentions Behind BRICS Financial Sovereignty and Institutional Restructuring

The BRICS Bridge initiative transcends mere technical innovation in financial settlements, representing a profound experiment in institutional restructuring. It embodies a collective challenge by BRICS nations to the US dollar-dominated international monetary system. Contrasting with the euro system's coordination within the US-European strategic alliance, the BRICS Bridge emphasizes institutional autonomy, technological disintermediation, and financial de-dollarization. Its strategic core lies in consolidating monetary sovereignty, mitigating the instrumentalization of dollar hegemony, and progressively shaping a multilateral, decentralized, and politically neutral financial settlement framework.

Despite significant differences in economic structures, political systems, and strategic cultures among BRICS members, there exists a shared institutional awareness and intent to counteract the compression of sovereign monetary policies and financial autonomy imposed by dollar hegemony. The exclusion of Russia from the SWIFT system and dollar settlement channels following the 2022 Russia-Ukraine conflict exemplifies systemic sanctions and financial isolation, reinforcing BRICS nations' recognition of the vulnerabilities inherent in the current international settlement system. This realization has accelerated efforts to develop new monetary architectures to safeguard economic sovereignty and strategic security.

The BRICS Bridge aims to replace dollar dependency through a multilateral local currency clearing mechanism supported by decentralized technologies. Unlike the euro's top-down legal integration, the BRICS Bridge adopts a modular, decentralized design, allowing member states to participate flexibly according to their financial structures and policy autonomies. This approach respects sovereign monetary statuses and avoids establishing a new central currency hegemony, aligning with trends toward institutional multipolarity and political power decentralization.

Institutionally, the BRICS Bridge does not establish a single issuing entity but relies on agreements among member central banks to create a common platform with technical compatibility, exchange rate recognition, and fund settlement standards. China actively promotes the digital yuan as a settlement medium and enhances technical cooperation with other emerging economies through cross-border digital currency experiments, such as the m-CBDC Bridge project. Russia seeks to settle oil and gas exports in its local currency, reinforcing its monetary role in commodity pricing. India, while geopolitically cautious, continues to participate in multilateral local currency agreements and trade de-dollarization efforts. Overall, the BRICS Bridge's institutional concept is characterized by strong political intent, high sovereignty accommodation, and significant governance flexibility, aiming to transcend the functional limitations of previous regional currency agreements.

The strategic logic underpinning the BRICS Bridge can be analyzed on three levels. First, strengthening financial

sovereignty is a core driving factor. Recognizing that heavy reliance on the dollar system undermines their capacity to respond to external shocks and political sanctions, BRICS nations seek to establish controllable financial settlement pathways to maintain independent monetary policies and manage capital flows. Second, the symbolic role of institutional opposition is significant. As a notable example of "non-Western institutional innovation," the BRICS Bridge challenges the narrative equating global financial rules with Western norms, symbolizing emerging economies' collective dissatisfaction with institutional inequities and power imbalances. Third, regional cooperation and South-South financial linkages represent potential expansion paths. If the BRICS Bridge successfully integrates member financial infrastructures and payment standards, it could extend to Global South countries, forming a new multilateral financial governance system and further undermining the dollar system's institutional penetration in peripheral regions.

However, the BRICS Bridge's institutional potential and strategic ambitions face several structural challenges. Internally, the lack of a unified institutional foundation among member states, absence of treaty systems and arbitration mechanisms akin to the EU, and reliance on political trust and bilateral negotiations hinder policy consistency and dispute resolution. Additionally, disparities in currency liquidity, market confidence, and international acceptance among members complicate the establishment of a cross-border clearing system requiring credit consensus. Strategic divergences, particularly between China and India, and differing expectations regarding institutional leadership and resource allocation further impede institutional deepening.

Externally, Western powers, notably the United States and Europe, exhibit caution toward BRICS-led initiatives, exerting institutional pressure through platforms like the G7, IMF, and SWIFT governance structures to prevent the formation of alternative settlement systems. US financial sanctions and export controls on China and Russia also constrain the development of BRICS technical infrastructures, weakening payment security and system resilience. Without breakthroughs in external institutional spaces, BRICS faces difficulties in achieving broad participation and international recognition for its institutional expansion.

In summary, the BRICS Bridge's financial institutional construction model represents a currency substitution strategy originating from sovereign monetary considerations, utilizing technological intermediation, and aiming for institutional opposition. Its primary value lies not in its current scale but in providing a paradigm for institutional competition and financial re-governance. As the global monetary system moves toward multipolarity, the BRICS Bridge's institutional intentions and governance models offer new comparative pathways for rethinking monetary hegemony structures and institutional legitimacy, contributing to the feasibility and strategic differentiation of de-dollarization efforts.

Geostrategic Divergence and Challenges to Institutional Integration

The feasibility of institutional integration often hinges on the alignment of member interests, compatibility of institutional cultures, and the degree of geostrategic coordination. While the BRICS Bridge proposes de-dollarization as a cooperative goal and attempts to construct a multilateral local currency clearing platform, its institutional development faces profound geostrategic divergences and governance negotiation challenges. Unlike the euro system, which emerged from the EU's shared political system, legal culture, and history of integration, BRICS members exhibit high heterogeneity in security strategies, diplomatic orientations, and economic models, lacking the foundational consensus and stable conditions necessary for financial integration. BRICS member states display clear geostrategic divergences. China and Russia advocate using BRICS as an institutional platform to counter the US-led international order, promoting global governance reforms through financial innovation. India maintains a cautious stance on de-dollarization and anti-US frameworks, often adopting a "strategic swing" position. While India collaborates with China and Russia on local currency settlement mechanisms and accepts yuan or ruble settlements in energy trade, it remains hesitant about institutional construction and governance leadership. Such asymmetrical geopolitical positions hinder BRICS from forming unified institutional proposals on key issues.

Security strategy contradictions further weaken the potential for institutional coordination. Long-standing border conflicts and geopolitical competition between China and India, especially regarding influence in the Indian Ocean and South Asia, create conflicting policy objectives. Although Russia and China demonstrate consistency in energy exports, arms sales, and responses to Western sanctions, underlying competition over institutional leadership and resource distribution persists. South Africa and Brazil, as regional powers, favor a "decentralized multilateral order" over accepting a China-Russia-led alternative system. These multidimensional strategic intentions prevent the BRICS Bridge from establishing a clear governance structure and decision-making hierarchy, reflecting the structural difficulties of institutional integration amid geopolitical realities.

Economic structural and monetary system heterogeneity exacerbates institutional coordination costs. BRICS members differ significantly in economic scale, capital flow liberalization, exchange rate regimes, and financial infrastructure development. China possesses a comprehensive clearing system, cross-border payment networks, and offshore financial markets, with the yuan gradually gaining international acceptance. Other members, such as South Africa and Brazil, lack comparable technical foundations and currency stability, impeding local currency cross-border circulation. India expresses concerns about capital account openness and yuan-dominated clearing, emphasizing monetary

sovereignty and risk controllability, complicating the unification of technical standards and limiting agreement implementation progress.

Institutional integration also faces challenges in governance culture and legal framework disparities. The EU's euro integration process established treaty-based institutional constraints and governance oversight mechanisms, including the European Central Bank, European Parliament, and European Court of Justice, providing member states with policy predictability and dispute resolution mechanisms. BRICS lacks similar treaty systems or legally binding oversight mechanisms, relying on high-level political declarations and consultative meetings without enforcement authority or governance transparency. Even when members reach technical agreements, implementation depends on bilateral or multilateral case-by-case negotiations, hindering the formation of institutional norms.

Externally, Western powers, particularly the US and Europe, exhibit caution toward BRICS-led initiatives, exerting institutional pressure through platforms like the G7, IMF, and SWIFT governance structures to prevent the formation of alternative settlement systems. US financial sanctions and export controls on China and Russia also constrain the development of BRICS technical infrastructures, weakening payment security and system resilience. Without breakthroughs in external institutional spaces, BRICS faces difficulties in achieving broad participation and international recognition for its institutional expansion.

In conclusion, the BRICS Bridge faces geostrategic divergences and institutional integration challenges stemming from three main factors: the absence of a shared strategic framework and institutional vision among members, with cooperation based solely on dissatisfaction and resistance to the existing system; a loose governance structure and insufficient institutional trust, impeding the formation of coordinated policy norms and supervisory mechanisms; and external systemic exclusion and sanctions, further constraining its institutional innovation space and legitimacy. In contrast, while the euro faces fiscal decentralization and member interest conflicts, its institutional design, legal structure, and governance consistency provide a high degree of integration, ensuring monetary stability and policy implementation.

Discussion

The divergence between the euro and the BRICS Bridge highlights competing logics of institutional monetary reform. The euro seeks to enhance its role through intra-systemic reform within a liberal institutional framework, while the BRICS Bridge represents a more radical, extra-systemic challenge rooted in political defiance and sovereignty concerns. Although the euro benefits from institutional maturity and legal coherence, its structural attachment to transatlantic monetary arrangements restricts its counter-hegemonic potential. Conversely, while the BRICS Bridge lacks cohesive structure and

universal credibility, its strategic intentions align more clearly with the goals of multipolar financial governance. These differences reflect deeper geopolitical realignments and offer a prism through which to assess the emerging dynamics of global monetary order transformation.

CONCLUSION

Since the end of the Bretton Woods system, the U.S. dollar has remained the dominant global currency, embedded within international financial infrastructure and policy frameworks. However, its increasing use as a tool of geopolitical leverage has led to rising skepticism among non-Western economies and accelerated the search for alternative systems. The euro and the BRICS Bridge represent two distinct institutional responses to this shift. The euro, grounded in legal coherence and regional integration, contributes to financial stability but remains closely aligned with U.S. monetary policy and constrained by internal asymmetries. In contrast, the BRICS Bridge promotes financial sovereignty and decentralized governance, yet faces coordination challenges due to the political and economic heterogeneity of its members. While neither has displaced the dollar's primacy, both reflect broader dynamics of institutional diversification and monetary power redistribution. The future of the global financial system will be shaped not by direct substitution, but by competing governance models, trust-building mechanisms, and evolving international norms.

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