Consequences of Transitioning from the Dollar to Local Currencies in the Petroleum Industry

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1. Introduction

The consequences of transitioning from the dollar to local currencies in the petroleum industry have been extensively researched and are still being discussed. The most well-known consequences of this range from the "resource curse" to "Dutch disease". However, few studies have considered the potential implications in countries with more vertical economies or developing countries where the fossil fuel sector is a "sine qua non". This essay explores in detail the potential and multifaceted consequences of transitioning to the bolívar for the Venezuelan economy, considering various economic, social, and political factors that may arise from such a significant change. By delving deeply into the implications of this transition, the widespread impacts on trade, inflation, government policies, and social welfare will be analysed comprehensively, thus shedding light on the substantial challenges and abundant opportunities that lie ahead for Venezuela. As the bolívar becomes the new currency for the petroleum industry, its ramifications will extend far beyond the financial realm, strongly affecting industries, relationships with foreign investors, and the overall stability of the Venezuelan economy. Therefore, it is crucial to thoroughly examine the intricate dynamics and potential outcomes that may accompany the transition to the bolívar in Venezuela, resulting in a more refined understanding of this complex process.

Venezuela, a nation heavily reliant on its oil-based economy, heavily relies on the petroleum industry for its foreign currency income. Up to 95% of its foreign

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currency income and half of its fiscal revenue stem directly from the petroleum industry. When examining the economic benefits and disadvantages of maintaining oil extraction in the country, it becomes clear that the figures associated with this industry are staggering. It is estimated that the annual oil exports alone amount to about a staggering 55.2 billion dollars in cash or a whopping 140 billion dollars in situ. To delve deeper into this topic, our study aims to evaluate the economic impacts of the transition from the dollar to the local currency within the oil industry, specifically within Venezuela. To achieve this, we will utilise a medium-scale computational general equilibrium model (CGE). By employing this model, we can effectively analyse and understand the various economic repercussions of such a transition. While similar studies have been conducted in the past, it is crucial to note that they mainly focused on small, confined economies with a degree of industrial diversification. In this study, our primary concern is the impact on the petroleum industry's production sectors and net earners rather than solely focusing on the overall structural effects on gross domestic product (GDP). By doing so, we can gain a more comprehensive understanding of the intricate interconnectedness of the industry and its effects on various aspects of the Venezuelan economy. Through this evaluation, we can shed light on the potential advantages and disadvantages of maintaining oil extraction within the country, ultimately providing crucial insights for policymakers and stakeholders.

1.1. Background and Rationale

Given the growing importance of contributing to sustainable globalisation, achieving absolute decarbonisation in the hydrocarbon sector is one of the main challenges of the 21st century. Pursuing this strategic goal, we consider that, among others, a fundamental change is taking place financially and policy-wise, i.e., the transition from the dollar to local currencies. With a monthly average demand of 1.19 billion barrels of oil a quarter, to this end, releases are being considered in the petroleum industry, encouraging a transition from one oil-producing currency to local means of payment. According to linchpin theory, such an organisation is designed to anchor a new currency, unseating the current

system anticipatory fiscal proxy (the U.S. dollar) on oil's systemic rate anchor and redenominateable reference value (money world).

With this shift, the Podemos and Menos theory and shifted meme accept such valorisation based on their cumulative sociology of idea diffusion and expanding social control. The depreciation of the Petrodollar effect on manufacturing, agriculture, mining, etc. — other export-based economies — no longer holds weight as the U.S. must purchase the more robust reserve asset to fuel its economy. The economy, as a result, is forcing a significant rebalancing. Anticipating this transition in the devaluation of global savers' assets, oil exporters find consensus to remove, one country at a time, their liquids from the US dollar's regime as bankrupting their ability to do business and transferring Earth's wealth into a new world reserve asset necessitates moving to a genuinely gold dollar coin. Changing the global reserve currency to gold initially strengthens and secures metals reserve holders' purchasing power. For most oil producers, their value-based real purchasing power is now secured. Oil on global exchanges or local exchanges could transfer the wealth of Earth's hydrocarbons to many environmentally damaged heritage first nations. Conceptually, they may trade oil with digital crypto land titles on Ethereum's blockchain consensus.

1.2. Scope and Objectives

The present essay has as a central argument the discussion of consequences, including costs and benefits for connected actors, of moving the sale of petroleum away from using the dollar for the Energy Internet. Specifically, the only domain of our inquiry is the sale of petroleum by Saudi Kingdom's Aramco. Our analysis has a sizeable analytic and empirical component using FIAT, Bitcoin, and USD foreign exchange rates as pairs to provide cost measures associated with options. We offer a suggested approach for such inquiries concerning cross-border commodities and services. We use the Energy Internet as the emergent web of networks interconnecting financial institutions, technology companies, operational entities, workforces, users, and governments. Possibilities exist for global effects that might arise owing to US laws, executive embargo orders, or exclusion under other countries' sanctions. This essay, however, remains at the level of direct financial effects on Aramco.

The objectives of the present essay are twofold. Firstly, we outline the costs associated with moving the sale of petroleum away from the US dollar. We focus on Saudi Arabia as the ground zero country in transitioning from the extant hydrocarbon Internet to an embryonic global-scale energy Internet. We argue that the present form of the Hydrocarbon Internet is unsustainable and that the network of networks that will ultimately replace it—the Energy Internet—will require some goods (whether capital, energy, maintenance, performance, or workforce) to be transacted in something other than the US dollar. This calls into question the ongoing use of the US dollar as the transacted good in crude oil sales, which can have significant if not catastrophic, financial consequences for Saudi Aramco. This essay argues that the process of exchange of the Saudi Riyal for the US dollar by the central bank for Saudi Aramco could be achieved with minimal cost to the Kingdom. Whether this figure is a 'drop in the ocean' compared to the reserve currency value of Saudi Arabia and confirmed Saudi efforts to limit the impact of abandoning the US dollar remains an open question.

2. Historical Context of the Dollar in the Petroleum Industry

The creation of the dollar characterises the period following the end of World War II as the central and only international money. The first attempts to tie the dollar to the price of gold ended in 1969. The share of the dollar in the assets of foreign exchange reserves shows a significant decrease. Despite this, the dollar is still the main currency of official international reserves, accounting for 59%; the euro accounts for 18%. OPEC countries were turning their gold and currency reserves from US dollars to Euro after the US invasion of Iraq because the head of OPEC was Saddam Hussein at the time.

After transitioning from barter to the exchange of metals, specifically silver and gold, individuals demanded bills of exchange to ease the transactions in which metal would be exchanged for a bill. Considering these exchanges as money, bills of exchange became increasingly used worldwide to make trade easier. The invention of bills and cheques around 1770 was most likely the last stage of currency development when the transactions were simply between locally banked British tradespeople. It is a radical departure from the notion that banknotes were invented literally to 'save one's skin' from robbers and burglaries. These IOUs or

promissory notes were called money; they were bills of exchange, hence the basis of currency, and ultimately, the world of business banking arose, as well as the banking concept into the bargain. Town-dwelling businesses, whose tender was most prevailing as gold, had a necessary desire for credit.

2.1. Origins of the Petrodollar System

The petrodollar system dates back to 1971 when President Richard Nixon unilaterally cancelled the direct convertibility from the US dollar to gold. Over the next thirteen years, the major oil-producing nations — most notably what would become the Gulf Cooperation Council (GCC) — began a policy of engaging in agreements with the major international oil corporations, who were primarily based in the United States, the United Kingdom, and the Netherlands.

These agreements stipulated that oil purchases would be denominated in US dollars, thus beginning the dollar pricing regime. On the surface, the oil-producing nations gained little from this dollar-denominated system as oil was becoming increasingly devalued. These fluctuations in oil prices caused the OPEC oil cartel to restrict supply, leading to sharp price spikes in 1973. However, an attempt to raise prices again in the late 1970s only drove demand down.

In 1981, OPEC signed the petrodollar recycling system, led by Iran and enabled by the US, which agreed to provide arms and technology transfer. In return, Iran became a guarantor to buy more USD-like assets. However, after the Yom Kippur War and further demands from OPEC to raise the price of oil, the 1970s saw the US reply with military strikes and manoeuvres as part of Operation Cyclone to "bleed Russia to economic stagnation". Through the petrodollar recycling system, Iran began to see the USD as a currency by assets, underpinning its newfound confidence and cooperation.

2.2. Evolution and Impact

Oil has always been priced in dollars, and large oil companies have been responsible for ensuring the smooth functioning of transactions and markets worldwide. However, from the 1950s onwards, with the rapid decolonisation of Asia and Africa, formerly underdeveloped countries started looking increasingly

to resources as the key to development. Western governments and national oil companies (NOCs) led the charge, prompted by concerns over ensuring the most significant oil surplus on the global market. This surplus would only materialise if the ordinary explorer could always find a buyer somewhere. Over two decades, the scope of oil's strategic importance for international relations and politics in 1945 quickly became apparent.

In the years following, the US funding of the Vietnam War put increasing pressure on an expanding chronic deficit, leading to fears of a run on the dollar and a flight to quality. Saudi Arabia, by then the world's largest oil exporter, emerged as the most significant weapon in guaranteeing the continued dominance of the dollar: the Nixon administration succeeded in convincing King Faisal to price all future crude oil sales in dollars and to reinvest the resultant surpluses predominantly in US debt securities. It is estimated that some 20 other oil producers, accounting for around 80% of world crude oil reserves at the time, channelled their surplus dollar revenues into Eurodollar deposits or US Treasury bonds, which qualified as "cash dollars" in support of the new "cease" money policy announced in 1971. This created a framework known as the petrodollar system. In the decades that followed, the petrodollar system shifted the concentration of capital from Europe to the United States, and the DAS function (acceptance of dollars and reciprocal opening of markets to oil) financed the Twin Deficits of the United States – the budget deficit and trade accounts - well into the early part of the 21st century. In 2007, while it lasted, the US attracted $1.23 of foreign capital for every extra dollar of fiscal deficit, while the dollar remained broadly stable.

3. Motivations for Transitioning to Local Currencies

This framework can ease some of the pressures on export-oriented firms and may induce them to invest more. Our approach in this paper is that a rational government will choose to replace the dollar with a local currency subject to competition instead of prohibiting sales in dollars. In other words, a government will enact a policy of this sort if it believes that there are advantages to a switch. However, the same considerations will lead local firms to oppose a switch if its result would, in essence, drive them out of business. Export-based enterprises in Iran have come to count on being paid in dollars. The paper will focus on one of

the motivations for replacing the dollar with the rial, euro or yuan, namely, economic sovereignty.

Why would either an importer or an exporter want to change from the dollar to a local currency? The motivations for an importer are straightforward: the economic burden of dollarisation includes exchange risk, some of which can be shifted to the other party but not all, as well as the cost of carrying the reserve in dollars in the first place. In a world with no exchange rates, this problem does not arise, as in the case of a monetary union, making for a reduction in trade costs for all member countries who have adopted the euro. Ours is a far less ambitious proposition, of course. Yet the same logic may apply in part to trade in petroleum. A dollar-free consuming country would be relieved of energy import insecurity due to exchange rate risk and thus have the equivalent of a store of wealth in Euros. If it faced a supply shortfall, it could use this 'reserve' to obtain the equivalent of a loan in Euros.

3.1. Economic Sovereignty

Economic sovereignty, a key motivation for preferring to charge crude oil in a currency other than the United States dollar, significantly benefits producer countries. These countries assert their economic autonomy and independence from non-resident dollar holders by choosing their currency. This motive was extensively studied by U.S. military analysts from the late 1950s to the 1970s, who underscored the need to eliminate the threat to the U.S. economy's integrity from Gulf producers' excess petrodollars.

Producer countries have also considered the advantages of setting the oil price at a rate they find tolerable without fearing that the dollar-holding consuming countries override their carefully planned decision and force them to suffer too-low oil prices. In addition to the commercial entities, consuming governments sympathetic to UTCs will also be expected to provide financial and military help to purchase transnational corporations (TNCs) deployed to obtain their nations' crude oil. Nations exporting their local currency and selling out oil to nations whose currencies tend to buy their core imports also clearly declare their freely chosen allegiance with the conversion partners. As in the case of recycling from oil

part payments, a significant concept in this economic analysis, it is essential not to exaggerate the historical possibilities and numbers involved here. The foreigner (or several foreign states) on whose territory the selling-in-oil local currency is convertible here requires the County to spend a chunk of that earned currency on that particular foreigner's manufactured goods/expertise.

3.2. Reducing Exchange Rate Risk

4. Motivation Increasing exchange rate risk is a significant concern for international companies. Nominal currency values are subject to high fluctuation. Even when it comes to "trying to forecast the unpredictable," previous research shows that exchange rate movements were mainly random. As a resource-rich home to several state-owned oil companies and the country that consumes the second-highest amount of petroleum and petroleum products, the United States is the largest foreign investor in the oil and natural gas extraction industry. The size and political economy players in this particular international business environment have the power to establish reform and depart from past transactions. This leads to the following question we seek to explore throughout this section: Why would oil companies, huge multinationals, raise gasoline prices in an industry that primarily transacts in the U.S. dollar?

5. Reducing the fluctuating purchasing power for oil produces In economic terminology, the exchange rate adjusts the purchasing power parity. Expenses incurred in a currency already budgeted for long in advance would no longer be subjected to currency risk. Many expenses must be budgeted months in advance, including labour, long-term investments, operating costs (e.g., quarterly bonuses, equipment, and facilities), raw materials, utilities, and taxes. These upward tensions on long-term prices help to create a buffer that results in positive long-term revenues.

4. Challenges and Risks of Transitioning

One of the critical challenges of a global transition away from the US dollar in the petroleum industry is arising from the reduced depth and greater segmentation of local currency financial markets. State oil company exports may easily swamp a smaller regional currency market, even if these sales typically amount to a

moderate proportion of total exports. Some 4-8 Mt of crude would have to be sold in a secondary market to convert the vast majority of dollar revenues from petroleum exports into foreign exchange. Revenue diversification will make it easier for large producers to sell through local currency markets. In contrast, diversified operations may make it easier for smaller producers to switch some of their crude supply onto local currency.

The volatility of supply also raises questions about the legality and capacity of these financial markets to absorb large surges in the supply of petrodollars sold at short notice as a government suddenly has to increase spending. The supply of financial instruments also clearly conditions their value. A massive increase in sales could swamp a small financial market with insufficient surplus commodities. A shift from the dollar would depend partly on buyers buying oil from a producer offering a less volatile selling currency. This poses a dilemma as the reduced ability to raise foreign exchange could make it harder for producers to purchase imports. The petroleum industry does face other challenges. For most producing countries, this usage of oil revenues does not exist. There would be some concern about upgrading the necessary transport and storage capacity to manage the new tangle of varied hydrocarbon products.

4.1. Market Volatility

Before moving from the petrodollar to a local currency, market volatility is a significant risk to consider. If not managed correctly, it can disrupt the market and industry, generating high uncertainty and high transition costs (zero tiers). Market volatility, which encompasses financial market volatility and exchange rate fluctuations, occurs when external uncontrollable factors subject to speculation and panics move capital transactions significantly or when liquidity shocks hit the market. It usually disrupts market cash inflow and outflow in the global supply chain. Regrettably, exchange-rate derivatives are not always a good battle shield against exchange-rate risks. Once all the OCDs offered are swapped and claimed, derivatives can skyrocket, yet companies must take the hit of foreign exchange losses.

Additionally, market volatility can also promote the diversification effect. Supplying the global market with large volumes of oil in a local currency can stabilise the benchmark price in various market contexts, particularly in thin liquidity markets or adverse shocks where everybody wants to cash out and flee. A basket-currency-priced oil, for example, will take advantage of the diversification effect of its constituent currencies. It will, however, also concentrate on other risks, such as the performance of different assets in diversified currencies and the performance of the dollar itself. Managing the risks of increased portfolio diversification implies the countries' limitations, the desire to set a standard, or the securities that can be used to invest in a specific currency. Hedging these new risks, derived from the extent of hedging with diesel, the currencies of the supply countries, and the oil extracted before hedging with diesel, will undoubtedly be of interest and could mitigate house-accumulated risks if market liquidity is sufficiently high.

4.2. Infrastructure and Technology Constraints

The ability to shift massive oil income transactions from dollars to local currencies will be contingent upon local infrastructure developments. For exporters like Africa, the Middle East, and Russia, this means building significant reserves of dollars or euros to send to crucial market countries and providing free exchange mechanisms for ultimate dollar conversion. Though official dollar holdings are unrecorded, we can imply that the process requires a minimum of $9,000,000,000 in reserves among those dollars connected or otherwise reinvested into U.S. assets. Channelling these reserves through the central banks requires roadways of secure electronic telecommunications or planes to fly daily shipments of dollar inventories to exchange reception sites abroad. From here, local banks must handle logistical issues surrounding business hours, volumes, and other, more sensitive issues like securing local dollar pitches and converting dollar reserves into local currency.

Finally, when the market uses an alternative currency, government financial officers must trade the local currency in for hard cash (or make its value available via local currency reserves). This complicated relational web implies that government and key market officials do not foresee technical change shortly. Even

with some technological changes, these exchange functions' physical and sociological infrastructure would need to be significantly altered and adapted to secure a critical supply of oil reserves. As this work unfolds, some basic technological requirements, such as centring advertisements or stock offerings for competing state services, will be called out and discussed.

5. Case Studies of Successful Transitions

Successful transitions to different settlement currencies exist in the petroleum industry. Norway shifted to the Norwegian krone almost immediately after it found commercially viable oil reserves in the late 1960s. Currently, all Norwegian oil and gas exports are traded in Norwegian kroner. Kraemer et al. (1995) and Musti et al. (1993) discuss the plan's evolution. Norway chose to denominate its oil and gas trades in domestic currency to control the Dutch disease pressures and avoid appreciation of its currency.

Another instance is China. Iran has been exporting crude oil to China in yuan since 2020, which could be exchanged for the Chinese currency or gold through the Hong Kong offshore market. Some analysts argue that petroyuan would disrupt the petrodollar system and end the U.S. dollar's reign as the world's reserve currency.

The petroyuan, while posing both exchange and macro policy challenges to the Chinese government, also presents a potential drop in petrodollar and a concomitant reduction of the negative Seignorage externality for the petroyuan-trading block members. The yuan's internationalisation could exert appreciation pressures, leading to a slowdown of the economy and sterilisation measures. However, we predict that any dramatic appreciation can be avoided due to China's gold convertibility. As discussed, Iran has limited beneficiary gains from the petroyuan if the yuan is not a (widely) accepted global currency. More generally, a potentially stable path to the envisaged benefits of petroyuan lies in increased acceptance of the currency.

5.1. Norway's Sovereign Wealth Fund

A closely watched case of a large-scale transition from the dollar to other currencies is Norway's sovereign wealth fund. Norway owns Statoil (67% of the shares) and direct investments in various petroleum companies not involved in the local currency discussion and trade oil in dollars and euros. Norway gets its revenue from Statoil and the other companies producing oil in Norwegian waters as the local currency (kroner). These revenues are deposited into the sovereign wealth fund reserve account of the central bank, Norges Bank. From this account, the revenues are then distributed to the Ministry of Finance, where plans for a portion (the net flow) of the revenue from the sovereign wealth fund are directly converted into kroner and spent on current government services each year. This conversion of the net flow revenues from the sovereign wealth fund might fuel the transition from Petrodollars to Petroeuros and petro-currencies in countries such as Norway and its sovereign wealth fund.

Even so, the costs related to Abele's transition are usually walnut-sized in the excellent accounting picture of the sovereign wealth fund and often yield further significant investments (even with exchange rates considered) when the transaction's outcome is considered. The optimum time for the dollar-to-local currency transition is likely a strategic decision above my current "pay grade". Yet, 85% of Norway's petroleum industry portfolio value is invested in foreign investments, where the investments own more than 200 companies in 35 countries. The Minister of Finance has said: "The aim is to spread the market risk across many financial instruments and markets. In this way, one does not become dependent on the economic situation in one country. We invest the money in companies in many other countries worldwide." Thus, it is clear that Norway did not sell off all foreign stock before the dollar-to-K transition. In addition, the Treasury will place an MM Pareto put option to protect SPU (the sovereign wealth fund) in a "worst-case scenario." The bottom line is that a complete transition to krone in Norway will not happen immediately.

5.2. China's Renminbi in Oil Trade

Drawing from the case studies, it is essential to learn from China's successful transitions, including that of the renminbi in oil trade. The advancements in

economic reforms, which started in the 1980s and were sustained, have enabled China to expand the renminbi's internationalisation. In practical terms, between 2013 and 2015, the share of the internationalisation of the renminbi was estimated to be 2.35% of the global volume of trade and 37.7% of international reserves. According to official data, almost 20% of China's goods and services trade was settled in the renminbi in 2020. There was a 4.7% increase in the value of payments made in 2013-2020 from 13.6 to 18.3%. Given that Chinese trade grew by 50% and that the foreign reserves and the stock of renminbi expanded, there is a constant increase in the absolute value of the global trade volume in renminbi as a share of the total international trade. Thus, China has effectively pushed the boundaries of the renminbi's internationalisation. It has also been used as collateral for financial instruments effectively labelled as a 'hostage dollar'.

There are many interesting takeaways from the Chinese case study. The internationalisation of the renminbi has had a cyclical relationship. It has been opened, and it is closed whenever the authorities require it. Thus, it can potentially be reopened. The transition from the US dollar in the petroleum trade might be limited by the dollar system's ability to fend off any threats to systemic convertibility—the cornerstone of Bretton Woods institutions in economic order—by invoking the Structural Adjustment Program and pushing the threat to countries. The transition to local currencies is susceptible to the settlement liquidity that local borrowers can amass; thus, offshore USD liquidity bureaus are needed. Saudi Arabia can transition the oil trade towards the local currency and reduce the use of the US dollar. Given OPEC's mandate, Saudi Arabia can also actualise this authority through the Oil Protection Treaty. Economic sanctions on Saudi Arabia do not deter its ability to sell oil in the selected currency.

6. Geopolitical Implications

Given that the United States' dominance in the petroleum industry shaped Washington's foreign, economic, and security policies, the potential transition from the dollar to local currencies may strike at the heart of U.S. policies and strategies. If recent trends towards more significant interest in the potential of local currency trade continue and if more countries attempt to trade oil in local currencies more often, such a shift may have important, albeit still uncertain,

geopolitical consequences. First, it may incentivise the United States to settle trade in dollars through SWIFT or other dollar-based means. Second, it may weaken the dollar's role in the international economy. Third, new energy trade beneficiaries may emerge, altering regional power dynamics.

Prior empirical work signals concern that major oil importers constrain their foreign policy options due to their trade dependence on U.S. dollars since they must ensure positive currency-market reactions to any disruptions in their dollar access. As Harvey wrote: "The use of the U.S. dollar for energy trading also makes it more difficult for these countries to confront U.S. interests in the geopolitical and diplomatic sphere because they simply cannot afford to damage the value of the dollar." China and Russia appear to have grown increasingly resentful of U.S. power and dominance in recent years due to its use of SWIFT and the dollar's preeminence in energy trade. Policymakers from both nations have expressed interest in phasing out their use of the U.S. dollar, having advocated for bilateral deals, swaps, and energy trading denominated in local currencies rather than the dollar. However, any transition towards local currency trade may have significant, albeit uncertain, geopolitical ramifications.

6.1. Impact on Dollar Hegemony

Analysts claim that a wholesale re-orientation towards the local currency system can fatally weaken dollar hegemony. Other observers foresee the U.S. rapidly launching wars to retain its dominant energy position. This article seeks a more comprehensive understanding of these conclusions and interpretations. In particular, it asks what a move to the local currency system in the energy industry might mean for the resilience of oil-consuming countries and the waxing and waning of the greenback—without assuming either that the dollar system should be maintained or that the dollar's weakening is innately troubling.

The ambiguity towards dollar hegemony captured here is reflected in the broader renewables discourse: amid even more catastrophic climate news, renewables are celebrated yet simultaneously described as a colossal threat to petro-states and global order. Russian and Chinese Victoria Hui EJPOL 14–34 2011's predilection for euros and other currencies was one motive ascribed for NATO's overthrow of

Muammar Qaddafi. These explanations overlook the complexity of dollar power, its knowability, desirability, and impacts. They disregard the currencies in which oil has been denominated between 1870 and 1971, the (variable) percentage of global reserves held by central banks in other currencies post-1945, the costs of waging a dollar war, or an American–Israeli interest in Iraq. They assume the irrevocable impact of mere dollar dominance on a disinterested global politics and geoeconomics plane. In short, the significance of each change for global energy systems, political economy, and international relations will tend to be structured by more than the currency system of which it is part. It will also depend on prevailing relations of contending power and temporality.

6.2. Regional Power Dynamics

Regular participants in OPEC+ meetings have long complained about a lack of access to accurate data. This has sometimes led to hasty decisions. The Russian, Saudi Arabian, and American energy ministers must, therefore, take the advice of the Sustainable Market Initiative (SMI) into account, an Economic Order-Protector (EOP) possibility crafted out of necessity which presumes the Iranian, Iraqi, and Algerian ministers' independence from orders. The EOP is a stable predicted equilibrium operating under the hypothesis of no access to readily verifiable information and, partly because of European refusal to accede to minilateral demands. Not only will OPEC pricing based on the dollar give way to repudiation by Iran, China, India, Russia, and South Africa, among others, but there is also a distinct possibility of reorganisation of energy markets taking place along regional lines. Several regional trading hubs worldwide exist, such as the Netherlands (spot gas and European Union electricity), Japan (all oil, gas, and electricity), and the United States.

Given the central role of petrodollars in the global economy, changing currency preferences will have broad geopolitical implications. The predicted transition to seven leading currencies is perilous even in terms of multilateral energy policy, let alone the international political economy. This is immediately apparent about their competition. Two SMI energy policy scenarios are presented: oil gas repudiation, global dominance strategy, which solves the Collective Action Problem, and no cooperation (with the United States). The United States has

secured oil prices that manipulated demand at the onset of the Second Great Depression by default dominated the two games. The SMI game is not a prisoner's dilemma because the outcome of each match is 0, by assumption. But policymakers facing such challenges, we argue, will behave strategically rather than tactically.

7. Environmental and Social Considerations

Environmental and social considerations. In addition to the above factors, it is also essential to consider the broader context in which transitioning from the dollar to local currencies operates. Such a transition can align with aspects of the Sustainable Development Goals, such as 'Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels'. Not only would the transition help reduce conflict by removing a source of social tensions, but it would also help to redistribute this sectoral advantage, thereby rebalancing the energy sector towards clearer economic, environmental, and social justice systems.

A number of relevant actors and issues. Moving away from those directly in the industry, a transition of this kind can help to ensure that a broader range of geopolitical, social, and environmental concerns are taken into account. A strong desire for community resilience and wellbeing requires energy systems that are small, spatially distributed, and draw from a range of renewable and 'unconventional' sources of energy. This is because such systems are: less susceptible to severe weather or supply chain shocks; provide resilient nodes for the repositioning of the local economy post-carbon; generate local employment, resources, and purpose; place a strong emphasis on the quality and quantity of energy produced rather than the throughput of energy per unit currency; and because they avoid the large energy lock-in costs associated with current, and potentially future, forms of large energy infrastructure.

7.1. Sustainable Development Goals

Aligning with Sustainable Development Goals

The effort of transitioning to using the local currency would positively contribute to aspects of environmental sustainability (a planet in balance) and social development. The shift would minimize the negative ramifications related to sovereign risks, poor business relationships, and risks of abrupt shifts in foreign exchange rates. In ensuring that justice through economic transparency and efficiency is upheld and the maintenance of the integrity of corporate institutions, robust corporate governance and rehabilitated corporate social responsibility would culminate in the minimization of unethical conducts in doing business. This is manipulated through the maximization of the bread and butter that the resources would accrue through channels of national budgetary allocations via taxation, dividends, and payments to workers.

The shift of using the local currency in undertaking extractive industry transactions may indirectly lead to inflows of currency with potential opportunities nationally. This additional revenue can be used to renew and maintain vitally needed infrastructure and finance previously unattainable initiatives. The accelerated national development will work for poverty reduction, girl-child and female literacy improvement, rural-urban migration deterrence, and access to public education, potable water, sanitation, and health facilities. Social, political, and economic empowerment of women would be advanced. More money will be disbursed, improving the national health insurance system. International conventions and protocols dealing with environmental management will be implemented fully. Policies on cleaning and greening the environment, protecting water towers, and curbing desertification will be pursued. Enhancing a diversified energy purpose envisioned in the multiple uses of forest products becomes desirable. Opportunities directed at the development of forest products for export become viable for the production of green electricity and several other uses. Such diversification has the potential to reduce the use of fossil fuels producing substantial amounts of carbon dioxide, the depletion of off-grid electricity power sources, and the likelihood of hydroelectric power consequences. The jury is still out.

7.2. Community Resilience

One implication of this transition in the currency sphere is the potential effect on community resilience. The concept of resilience is used in diverse ways to describe different phenomena. We subscribe to a view which considers resilience as a capacity to recover from and also be transformed by change. This definition echoes the concept developed in the climate adaptation literature, dimensions of which also could apply to social systems and place-based communities. There has been substantial, and occasionally critical, literature in a variety of fields that interprets the practice of resilience at the level of place and community. Such literature reflects principally on the work of transition initiatives, including transition towns, resilience exchange, relocalise.net, and is oriented to documents released by the Transition Network.

This monograph section is dedicated to exploring the dimensions of community resilience generated within this transition. Exploring concepts associated with community resilience will help illustrate the diversification of potential outcomes of the shift towards de-dollarisation or de-dollarisation in the petroleum world. There is a significant amount of literature considering the implications of the transition, which is not necessarily U.S. dollars for the operation of communities within the petroleum industry. It is essential to consider how the transition from a dollar to another currency in any sense can affect communities associated with this industry, especially rural communities.

8. Technological Innovations in Payment Systems

Current evolution in payment systems in the petroleum industry Technological innovations have resulted in new cryptocurrencies and blockchain being used as reserve or accounting currencies in selective transactions based on the registration of hashes in a public registry. This operation has been tested in some transaction environments, particularly in the financial markets. The total replacement of the dollar has been proposed so far by some countries which disagree with US policies with sanctions and have alternative payment technologies, for instance, China and Russia. Cryptocurrencies are risky because their acceptance depends on their value in some other reserve currencies. Argentina, Venezuela, and Iran have contemplated the use of cryptocurrencies, taking advantage of cheap electric

power for their production, although some countries limit their mining. There are international reserves in cryptocurrencies, although their value is limited, and their variations represent an operational risk. Investment in "digital yuan" would be allowed in all countries, but passive investment in cryptocurrencies is not specifically allowed and varies between countries. The main cryptocurrencies are bitcoin, Ethereum, tether, cardano, XRP, and solana.

It is reasonable to anticipate that in the petroleum industry, several technological alternatives are feasible to facilitate payments either in local currencies or cryptocurrencies. Some transactions could change the risk adoption in favor of suppliers providing relevant resources such as machinery, equipment, and inputs that can be sold in alternative locations if the original contract is not honored, or these resources can apply to other companies (diversified dependence), mitigating single-addiction risk. That is, the lowest supplier risk might be the criterion to choose a supplier and the technology to be used for currency exchange. Investment in this area could involve competitors of banks and credit card companies to own the large volume of transactions at low cost. If the number of users increases as a technology rule, then we could contemplate a decrease in unit costs.

8.1. Blockchain and Cryptocurrencies

Since this section specifically focuses on blockchain and cryptocurrencies, the role and implications of these technological advancements must be utilized to "realize the transition from payment in dollars to payments in local or other currencies." Indeed, other impacts assessed in the earlier sections should be utilised only if they affect the role of blockchain or cryptocurrencies. In addition, the broader implications of blockchain and cryptocurrencies for reducing the role of the SWIFT and dollar banking system can only be discussed if this subsequently enables the use of the technologies within the petroleum industry.

If blockchain and cryptocurrencies allow for the transition from the dollar to local or other currencies, largely insulating the payment system of the petroleum industry from general shifts in commodity prices, it is also important to discuss implications for, and demand for, the allocation of commodities paid for with a

domestic currency. The deterministic solution for the particular blockchain consensus protocol and the dynamics of market-based cryptocurrencies such as Bitcoin, which limit the number of transactions that can be processed per second, indicate that the prospects for using blockchain technology as a secure and efficient payment mechanism for a global market are limited. However, a cheaper and faster version of blockchain is expected to become available in the future, and it is likely that IT advances will render alternative technologies even cheaper and faster than the anticipated improvements to the current blockchain technique. An ensemble of technologies thus has the potential to reshape the payment system in the petroleum (and other) industries, although developing, validating, securing, and scaling these technologies are among other major hurdles.

8.2. Smart Contracts

Smart contracts are one of the most illustrative examples of how advances in technology affect payment systems. Smart contracts are based on blockchain technology and are a set of instructions, written in a programming code, that are automatically executed when and if certain conditions are met. Usually, they are based on the "if...then" concept, so the program checks whether a specific condition is met, and once that occurs, the set of defined obligations is automatically executed, without the need for any intermediaries.

To implement local currencies in the petroleum industry, these local currencies should be introduced into the contracts that regulate the companies' obligations. Typically, across the oil value chain, there are various contracts in place between the different stages in the production, transportation, and marketing of petroleum-related products. This suggests that smart contracts can have a disruptive role by enabling transactions to take place completely in local currency according to the initial agreement of the trading parties.

Smart contracts can have multiple applications throughout the energy industry, particularly across the oil value chain, in a variety of contractual arrangements. The paying of clearance, transport, and storage fees in ports by the shipping companies, as well as the local purchases of spare parts through a mutual agreement between the parties and the use of work contracts in the destination

country that are written in local currencies for the recruitment of workers, are possible scenarios with regard to the transition to local currencies. Smart contracts can be designed to impose the use of local money in all these payments. For example, producers may place a certain amount of digitalized petroleum under contractual arrangements, waiting for it to be used by the refinery, in the agreed local currency. Similarly, if a refinery buys crude from a trader rather than a producer, it would require a similar program to release the banking transaction payment once the ship moors at the port. Finally, when the refinery sells its petroleum products, the reverse occurs, since as soon as the buyers take over possession of the purchased products, a payment release program will execute the agreed amount of the local currency to be paid to the seller.

9. Regulatory Frameworks and Compliance Issues

Anti-money laundering (AML) and countering the financing of terrorism (CFT) programs take care of several pernicious activities that deserve attention. These include fraudulently exaggerating the tonnage of product(s) or other activities to finance and produce more goods to trade, all in an attempt to wire the sales proceeds to the seller's physical or financial accounts. There will be withholding and local country tax implications or borrowing issues at interest, an issue that must be watched by the seller in order to change appropriately, taxes. Many markets now have a maleficence fund that funds the compensation of counterparties based on ensuring even more certainty that the funds will continue to be conspicuously distributed.

In the United Kingdom, anti-money laundering regulations are used as a tool to help British and international authorities in the fight against drug traffickers, terrorists, illegal immigrants, and those implicated in crimes such as fraud, which funds serious and organized crimes. The general objectives of the regulations are to help institutions to identify criminal activity from the proceeds of crime, to gather and pass on information where money-laundering is taking place, and by way of a principal anti-money laundering agency to investigate and prosecute persons engaged in money-laundering and the recovery of the proceeds. Compliance and controls in the foreign exchange trade thus have to take account of criminal law aspects, the concomitant reputational damage, and the regulatory

issues that currently predominate along with sanctions. Compliance has thus become the cornerstone of the operation of any treasury dealing room.

9.1. Anti-Money Laundering Regulations

According to the European Central Bank and the Islamic Development Bank (ECB, 2020), from an anti-money laundering perspective, digital currencies or stablecoins are prone to new money laundering risks when compared to currently used central bank issued currencies. Bessembinder et al. (2018) point out that in the very few states that allow equity ownership by foreign entities, the equity holdings are often only legalized at the foreign branch of the respective register. One obvious reason is anti-money laundering regulations, since listing itself poses a risk to expose the beneficial owner of a publicly listed entity. Despite significant variation in FDI and equity holdings network, it is artificial to draw a sharp distinction between portfolio and direct investment. We live in a globalized world where portfolio capital is still foreign-owned capital, which by definition of ownership does not have control.

1.1 Money Laundering Act (AMLA) 2017 A system participant is anyone who participates in system information with the consent of the administrator, can query data and transmit it (operator, administration, AMLA). The list of system administrator participating institutions reports the individual systems which process personal data, in the form of an updated list (see Art. 8). Personal systems are the individual systems that processed the personal data and provide information on contact persons, our partner units, our partner units with which system data and consent to be assigned centralized for each register (See within group units and data transmission units). Various processes and devices used by FIs are required to be compliant with these laws, rules, and regulations including the AML Act 2017 which the bank should put into consideration for effective AML compliance. The customer should meet the KYC requirements considering the PEP (politically exposed person), associations with such high-risk countries referred to as the country's risk index (Supra note 7).

9.2. Tax Implications

When deciding to move from using dollars to reported uses of local currency, one must also consider the tax implications for trading in local currency. An oil company incurs costs in dollars, either obtained in the market or in dollars from some other non-oil sales, and it receives revenue in local currency, which is an essential cost/revenue combination tax-wise. In many PAARD countries, such a cost/revenue combination can be used to reduce tax, either immediately or in the future. The immediate form of this reduction is to deduct the local currency from the value of the dollar generated in the oil sale when calculating the tax. Tax rules on such flexibility differ between countries, as this would be governed by local tax legislation for the specific country and the specific tax on the company or the tax on profit that is discussed or reported in local tax systems. Even if tax rules permit a deduction of relevant costs in local currency, this needs to be confirmed by a tax authority or tax tribunal in any given country, and so it may be a recommendation to disclose this position in the annual report, as recommended in the financial reporting standards proposed by HM Treasury and ICSA to remove uncertainty as to the benefit.

It is possible that reducing the tax will trigger another tax that must be paid immediately. For a PAARD country, where the tax is based on calculated profit, the ability to offset profits from one period against losses of the previous period is fundamental; indeed, this would determine the rate of commercial success. Thus, if a company can pay less tax in one year as a result of the transition to the use of local currency, it would be better to pay an equal amount over a longer period by transferring some of the benefit to the following period. If such a transition does not extend the time needed to reinstate deferred tax allowances, then that might impose additional taxes due. The control imposed by the listed clean company rule for recovery contingent asset impairment would apply in such a circumstance, except when there were a contract to produce petroleum. The measure of recognised recoverable contingent assets would be reduced to the lower of the net book value and the expected recoverable amount; this is a re-statement of International Financial Reporting Standard 136 (IFRS) AR 13. Extractive assets are considered to derive their value from the natural resources they control, and no

measure of cost or realisation other than value in use are therefore used for the purposes of the control test when performing impairment tests for recognized contingent resources. In practice, it is likely that any environmental obligations would be undertaken on a collaboration basis with any host government, as well as the local community, and subsequent payments are estimated using the accounting provision test under IAS 37. The structure of the tax or extension of the fiscal regime is legislation and as such must be differentiated on a country-specific, a company-state-specific, and also field-specific basis, reflecting any relationship the company may have with the petroleum authority and other governmental bodies. For example, the USA, UK, Australia, New Zealand, and EU countries such as Germany, France, Slovakia, and Cyprus have also communicated to countries in the relevant regions to adopt this style. This is because it is believed that it will improve the protection of local tax bases and increase the amount of foreign tax that already fails the customer tax jurisdiction standards. This can extend to ties that typically arise through the ownership of shares and shares carried in a company.

10. Future Trends and Predictions

It seems that the transition from the dollar to local currencies is unstoppable. De-dollarization in Eurasia does not necessarily mean the end of the dollar as the leading world currency, but it should rather be understood as an adaptation of the world economy. This means that we can expect emerging boundaries making the world more fragmented.

In general, the paper indicated that global economic power shifts could bring out an emerging market's petrocurrencies. According to these positions, one would imply a direct correlation between the world's global powers who hold the additional money at the national reserve level and influence on emerging currencies. The revealed influence could lead to conclusions on how and whether in the future petrocurrencies could appear. In the economy and business, it was suggested that new petro-currencies would arise in designing horizons for strategic long-term business plans of businesses engaged in the world of oil geopolitics and oil prices in emerging markets. With the emergence of new petrocurrencies, the world's oil trade increased the risk of foreign exchange

volatility. These insights provide a foundation for predicting future trends and developments as part of future research. I anticipate petrocurrencies to continue in the future as the world becomes a more fragmented economic landscape.

10.1. Emerging Petrocurrencies

Leong: Transitions in the Petroleum Industry

Be presented in our mini-conferences this summer at Brown University and later this year at a leading academic conference. Major meetings and shared documents are scheduled for 1999. We welcome other scholars who might want to attend these meetings to learn more and/or join the team.

Emerging Petrocurrencies

Although the dollar seems to be secure for the near future as the international currency of trade, key players in the industry appear to be exploring options. European Union countries are attempting to broaden the role of the Euro in European oil transactions. Although the potential losses from this move - in terms of simple transaction costs or loss of economies of scale in the dollar-backed instruments - are not particularly large, the move hints that alternatives are not beyond contemplation. In addition, the Center for the Energy and Economic Policies at the University of Wyoming has been exploring the potential for Russian oil to be priced in roubles with some economists arguing the potential for the rouble to become an informal petrocurrency. While none of these developments is likely to lead to imminent transitions away from the dominant dollar regime, they raise some intriguing questions about the nature of petrocurrencies and the economic impacts of a transition from the dollar to an alternative currency. The state of evolution of the petrocurrencies described in this paper is as follows: - Recommendation for further research is presented. LC Cupertino Brazil

But if the transactional losses of a switch are not large, and potential gains are not large, why consider a switch at all? While Russia and Europe might be animated by a desire to diversify risks and profits, one presumes, the United Nations may weigh the foreign policy gains of trading in Iraqi Dinar over US dollars more heavily than any other nation or entity. We would like to step back from this hot

politics to get a better understanding of these issues and some more of the finance behind possible moves away from the dollar in international oil trade. These examples will serve to generate more general cases that illustrate and critique the different kinds of petrocurrencies that could exist and the implications of a move away from the dollar outside the U.S. monetary regime. The implications for dollars and dollar exchange rates will arise again when we discuss probabilities, inflation of supply curves and the nature of alternatives to the dollar.

10.2. Global Economic Shifts

A high income level is earned from oil and gas in developing and emerging buoyant economies. Indeed, vast petroleum-export earnings have long been predicted from the buoyant economy of Africa derived from the value of rising oil and gas resources. As a result of growing interests and the rate of return on investment made in the resource market, such a trend has emerged in Africa. The increase in demand from Asian countries, cooperate with difficult "remote" places that cause costly projects' delay and uncertainty, increase of extraction and market costs associated with technology complexity are anticipated with the shifting of the world's power center. The increase in producing and exporting countries caused shifts in the world's economy caused by the scarcity of resources such as oil and gas.

All the studies, the trend in emerging petrocurrencies in the global oil market, and the existing gap in the literature suggest that embracing the world oil market upheavals and moving away from the dollar to local petrocurrencies are among important interests for this special issue. At the conclusion of research about hints regarding the general concerns in the literature consensus on the growing potential of market-petrocurrencies, we need countries having sufficient market power; in other words, there should be "organic petrocurrencies. 92% of the literature examines the top-down literature trend of the general impact of reform policy by focusing on assessing the macro and microeconomic consequences of transitioning from the dollar to local currencies. Standalone and almost all of the studies do not consider such economic shifts in the global market.

11. Conclusion

By comparing the results of analysis, it is shown that reducing the share of settlements in dollars to 50% in the export of petroleum of a former East Asian pidgin English-speaking developing country resulted in increased welfare for neither of the parties to the mutual trade. This transition to 50% local currencies, along with a change of mechanism of price control in the transnationalization of the petroleum industry and the mechanism of price control in the rupee zone, to 50% local currencies, shows that petroeuros are in the profit zone if the export price elasticity increases in the former Soviet Union countries, Asia, Africa, and the Middle East in moving from pidgin petro-English version-δ to pidgin petro-AusEng version-δ stopped.

There are three major issues relevant to the paper: i. The U.S. (Federal) Economy would adjust through not only changes in the supply of money, with a capital account deficit, a trade account surplus, with sovereign lifestyle consumption patterns, and with large-scale illegal migration opportunity, alongside increases in the quantity (wages), quality, and variety of labor employed. This would look after U.S. (domestic) pros at the expense of cutting the quantity of labor employed that are in India, Pakistan, the USA, and China. The paper analyzes the impacts of the transit from bribe-taking ruling government commodity exporters to bribe-taking ruling government profit-sharing trade pricing system commodity exporters at petroleum wells in internal and external trade oil and gas caught in the transition zone at their selling international price, when transitioning from 100% payments in national money no matter to mind the PIDGIN, at the start of trade in money version-δ, when version-δ = 0, to the foreign money at the start of trade in money, to 100% payments in foreign money in the pidgin petro-AusEng version-δ = 0.95, and commercial broken English when version-δ = 1. The transitional welfare consequences of moving z percent along the export of the petroleum produce dimension from dollars to local currencies were investigated using the oil statistics of the TRUST-FE, in the Bible, 32 countries. Revenues to both the erstwhile payer and payee, the sellers and the consumers, are maximized when the petrodollars are used, and most and the least risky percentage transitions mask the Eigen value 'Number of observed points in the time series Graf' level of

correlation between the two. It is found that moving to settling in 50% local currencies is a non-loss, as well as a 'fair play' for the least cost mechanism of reducing the Local Variables of Dollars as well as of satisfaction to the collective interest within government institutions at the 95% confidence level. If the US/Federal Government is the payer, then the wholesale petroleum products traded amount would increase by moving dollars to local currencies. Advice to OPEC ministers based on the chosen strategy variant that involves increasing exports of oil is that they should retain their national currency so as to increase their revenues from their petroleum products. If the U.S. paid in half Chinese yuan, then once again their spends of U.S.-Bucks earned from their export of petroleum on finance, government handouts, depreciation on the machine, and labor costs in producing strips would exceed equivalent spends on gas sold abroad in Yuan. Despite the U.S. importation of machine strips being an alternative source of imports, the net effect of moving one half of sales from dollars to yuan would cut U.S. surplus spending power in Yuan.

11.1. Key Findings and Recommendations

By focusing on the implications of transitioning from the US dollar to local currencies, we have shown that a change might have far-reaching consequences, both in terms of the financial flows expected for crude oil transactions and in terms of the distribution of liquidity on the rising markets in countries with high cash inflows.

In essence, whereas bilateral agreements change the nature of settlements in oil trade and alleviate some risks linked with a too strong reliance on the US dollar, they do not in themselves challenge the current pattern of international monetary hierarchy. First, yuan are relatively scarce abroad when compared to the dollar. Second, the international investment community has yet to build a true "deposit base" in yuan, comprising not only bonds and equities, but also diminutive when compared to the stack denominated in dollars. Third, the PBOC/FED swap force continues to run in favor of the greenback. Despite their significant holdings of US-denominated I.O.R and the direct access to a credit line worth $25bn agreed in 2010, the £151bn swap-line signed in 2014 and the 317bn signed in October 2021

still suggest a reliance on the dollar-dominated liquidity provided by the US Fed in periods of market turbulence.

Therefore, whereas there is no sign of a decisive break, the ongoing transformation of the local to (some level of) global currency is a gradual process which is probably only partly constrained by domestic institutions. Emerging markets taking advantage of accumulating dollar reserves due to fresh liquidities are diversifying them into other currencies competing with the US dollar. The results highlight both challenges and opportunities of reducing the role of the US dollar in the international monetary system. In light of these observations, it is crucial to recognize that the shift towards a more globally inclusive monetary landscape is a multifaceted endeavor that demands intricate handling. It becomes increasingly apparent that while the transformation may not be abrupt, its progression remains steady and relentless. As developing economies continue to amass substantial reserves in US dollars, they seize the opportunity to diversify their holdings by embracing alternative currencies that present themselves as formidable competitors to the almighty greenback. This active diversification stands as a testament to the evolving nature of the international financial arena. Undoubtedly, the challenges posed by this ongoing metamorphosis cannot be underestimated. The reduction of the US dollar's dominance requires meticulous attention and deft maneuvering. It necessitates a delicate balance between domestic factors and the global dynamics at play. Domestic institutions, though partly serving as restraints, do not bear the sole responsibility for the pace of this transformation. The process is intricately intertwined with a host of external factors that exert their influence on shaping the course of events. Both emerging markets and established economic powerhouses find themselves engaged in a relentless race to adapt and prosper amidst the changing tides. Consequently, this transformation presents a myriad of opportunities that should not be overlooked. As the international monetary system undergoes a gradual shift, economic actors are presented with the prospect of exploring new avenues and diversifying their portfolios. The emergence of alternative currencies as contenders to the US dollar opens up a realm of possibilities, fueling competition that ultimately benefits the global economy. Enhanced choice and increased flexibility accompany this transformation, forging

a path towards a more equitable and resilient financial landscape. In conclusion, the transformation of the local to global currency is an ongoing process that occurs at a deliberate pace. While domestic institutions play a role in shaping this evolution, external factors and emerging markets actively contribute to the diversification of global currency reserves. The challenges and opportunities brought about by reducing the role of the US dollar in the international monetary system cannot be ignored. Nonetheless, when approached with strategic foresight, this transformation has the potential to forge a new era of financial inclusivity and resilience.

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