THE MONETARY OUTLOOK BY 2025 – 2030

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The globalization and the worldwide regionalization phenomona which also bring about a simplification of the usages, the rules, the instruments, the legislation as well as that of the behaviour of states and economic agents could not leave untouched the currencies of the more than 200 independent countries, although the minting of such currencies has always been the „royal" prerogative and the very symbol of the sovereignity of a state.

It is very well known that algonside the flag and the national hymn, a currency contributes to the development of a collective identity and to the feeling of belonging to a certain community. This is exactly what is now happening to the citizens of the European Union after the adoption of the euro who, over the course of a generation, will relate to only these three new symbols which will mark their consciousness and their „European" identity.

Already the great number of currencies that exist throughout the world imply additional costs for the international business people and for the investors, but also for the central banks of those states that are confronted with major monetary crisis. We only need to remind ourselves of the most recent of these: the „Mexican crisis", the „Asian crisis", the „Russian crisis", the „Brazilian crisis", the „Argentinian crisis", which had a global impact and gave a good scare to international financial organisms as well as to the major western governments.

For a currency to have a minimum of external credibility, the minting country must accept the VIIIth article of the IMF chart. This article stipulates the undertaking of certain external obligations by the IMF member country. Essentially, the sections 2(a) and 3 of the article prohibit the member countries to apply restrictions to payments afferent to current international tranzactions, to refer to multiple exchange rates or to discriminatory monetary dispositions, without the approval of the IMF. Section 4 of the VIIIth article stipulates that member countries must, under certain circumstances, buy their assets in their own currency possesed by other member countries, assests resulted from current international tranzactions.

By 2006, 150 countries had adopted the VIIIth article of the IMF chart. The first countries to adopt this article were: USA (1946), Mexico (1946), Panama (1946), and Guatemala (1947). The European countries adopted this article much later, as follows:

- Austria - 1962
- Belgium – 1961
- Bulgaria – 1998
- Czech Republic – 1995
- Croatia – 1995
- Denmark – 1967
- Switzerland – 1992
- Finland – 1979

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- France – 1961
- Georgia – 1996
- Germany- 1961
- Greece – 1992
- Irland – 1961
- Island – 1983
- Italy – 1961
- Republic of Latvia – 1994
- Lithuania – 1994
- Great Britain – 1961
- Malta – 1994
- Moldova – 1995
- Norway– 1967
- The Netherlands – 1961
- Poland– 1995
- Portugal – 1988
- ROMANIA – 1998
- Russia – 1996
- Slovakia – 1995
- Slovenia – 1995
- Sweden – 1961
- Spain – 1986
- Turkey – 1990
- Ukraine – 1996
- Hungary – 1996

Surprisingly, Switzerland, whose currency had a great credibility at the international level after the second world war, adopted the VIIIth article of the IMF chart as late as 1992(!). Also extremely late to adopt this article were a certain number of the E.U. states, such as: Portugal (1988), Spain (1986) and Greece (1992), in comparison with the other E.U. member states which adopted this article in 1961 or 1967.

One of the most obvious phenomena which was to mark the first half of the XXIth century was the severe decrease of the existing currencies in the world, small and medium-sized countried being forced into gradually giving up their onw currencies and into adopting that of the dominant country of the integrationis block to which the country in question belonged.

In the opinion of the author of this paper, the monetary outlook for 2025 – 2030 will have the following configuration:

Europe

On the old continent will continue to survive several currencies belonging to supernational structures (such as the E.U or the C.I.S.) but also to a certain number of big countries, middle-sized and also smaller ones. According to their importance, these will be:

The euro – This is already the most important currency of the European continent and ranking second at international level, after the American dollar. The replacement of the ECU, as from the 1st of January 1999 (at a parity of 1:1) on which date the irrevocable exchange rates were fixed between the euro and the 12 currencies of the E.U. member states that decided to adopt the single European currency. The euro was launched on the market in a material form on the 1st of January 2002, when it replaced the currencies of those countries that decided to tie their destinies to that of the single currency. After the accession of 10 countries on the 1st of May 2004, the European Union became an economic, commercial and monetary block comparable to the United States. While the enlargement process of the E.U. will be able to continue for at least one decade from now, one must mention the existing premises for this entity to become the first economic power in the world. The euro is currently used as a monetary anchor or reference currency in 36 states, while in 18 others, the reference is based on a monetary basket that includes the euro.

In the year of the adoption of the euro, the precentage of the most important currencies in the international exports were: (%)

	1980	1999
American dollar	56,4	52,0
Deutsche mark	13,6	13,2
Sterling pound	6,5	5,4
French frank	6,2	5,5
Dutch gulden	2,6	2,8
Italian lira	2,2	3,3
Japanese yen	2,1	4,7

Source: The European Commission, D.G. III, 1999.

The percentage of the major currencies in the total of official rezerves of the central banks of the world in 1999 was (%):

	1973	1999
American dollar	6,1	63,7
Deutsche mark	7,1	14,0
Japanese yen	0,1	6,2
Italian lira	5,6	3,5
French frank	1,1	1,6
Dutch gulden	0,5	0,4
Swiss frank	1,4	0,8
Other currencies	8,1	9,8

Source: IMF, Annual Report, 2000.

As one can notice from the two tables above, after the fall of the Bretton Woods system, dollar's share in world trade and especially in world foreign exchange reserves has declined significantly (from 76,1% to 63,7%), and this tendency has strengthened after the advent of euro. Between 1999-2005, the share of euro in world reserves increased from 15% to 20%. The share of dollar has corespondingly declined to 58%.

The popularity of european currency is increasing, and it is possible that until 2025 no less than 40 E.U. member countries shall adopt it as a common currency.

From the 150 currency regimes which are considered completely liberalized by the IMF, 54 are related in one way or another to euro. Euro is used as monetary anchor or reference currency by 36 countries, while other 18 states have their currency pegged to a currency basket which includes euro.

According to a ECB study, from the 12 candidate countries to European Union, only the Czech Rpublic, Poland and Turkey do not use euro in their exchange rate policy. In Balkan area, euro is used as monetary anchor by Croatia, Republic of Macedonia and Serbia. Bosnia has a currency board based on euro, and Kosovo and Muntenegru use euro as their „national currency". The influence of euro has extended beyond the european continent in northern and eastern Africa, in the french-speaking countries. In that region, have adopted a fixed exchange rate against euro.

For the first time in the last 50 years, the hegemony of the dollar is seriously shaking. The advent of euro and the increasing (more than expected) demand for euro has produced a significant shift in the world monetary landscape. It has determined a change in the international monetary system, from a three-poles structure (dollar-mark-yen) which has marked the last decades to a bi-poles one (dollar-euro), covering 80% of the global financial transactions. The great powers (Japan, China, Russia) have replaced their dollar reserves with euros – a trend that will continue in the next decades.

The sterling pound was the most important currency in the XIX century, and one of the most important in the XX century (6.5% of world exports are denominated in pounds, and 4% of world exchange reserves are represendet by british lira. Given that a significant number of countries are still using the british currency and the London „banking city" holds a privileged position (second in the world after New York), it is hard to imagine that Great Britain will change its lira for euro, even if this country is member of the European Union. As it is widely known, Great Britain and Denmark have refused to join EMU, and, implicitely, to accept euro as common currency.

Given the conservatorist tradition of Great Britain and the position of its banking center (which contributes 5% to british GDP), it is difficult to expect a day will come when Great Britain will say „Yes" to the single currency, by surrendering its privileged position to Germany.

Therefore, the refuse of these three countries (Great Britain, Denmark and Sweden) to join EMU has weaknessed the EU cohesion. At the present, euro can still be considered a tiny currency as long as important members of the EU have refused to accept it, and their position could be „contagious" for the future EU members.

Swiss franc – it is one of the most sound currency of the world (it is covered by gold in 80%), and Swetzerland is viewd as a country – paradise for all kind of fortunes accumulated in a more or less honest manner, the capital invested here being considered „safe" because of the famous bank secret. Although it has 7.2 millions of inhabitants, GDP per capita (around 35000 dollars) is the highest among european countries and the quality of life is very good. The income derived from tourism amounts to around 10 billions dollars. Despite huge pressure from US and European Union for changing its legislation concerning banking accounts, Swetzerland managed to preserve its legislation concerning „banking secret", the key to huge amount of money that convey this country year by year. The banking industry represent is the second industry as importance in the formation of national GDP, and the most profitable of all.

Taking into account the fact that about 5,5 % of international trade is denominated in Swiss franks, the Swiss currency is one with a future which we will surely find in the 2030s…

The Russian ruble is the currency of the second military power of the world even if its economy has been experiencing a freefall after the disintegration of the U.S.S.R.. The depositing country of the most important oil, gas and strategic raw materials resources in Europe, Russia represents the center around which gravitate the countries that have been regrouped in the CIS, a community of independent states, based, in general, upon economic, social, linguistic and even political and military interests. Taking into account these arguments, I consider that the Russian ruble is one of those currencies which we will find 30 years from now, having even a greater importance than today…

North and South America

North and South America will be the continent which will be under the "dominance" of the American dollar, alongside which will manage to survive the Canadian dollar, the Brazilian real, the Argentinean peso and the Mexican peso. The rest of the currencies will bow to the above-mentioned currencies depending on their degree of economic and political integration with their "bigger" neighbours.

Asia

Asia is the continent where at least four currencies will survive: the Japanese yen, the Chinese renminbi, the Indian rupee and the Pakistani rupee. The currencies of important countries such as Korea, Indonesia and Hong Kong will also continue to exist. The most important Asian currency will continue to be the Japanese yen, but the renminbi, China's currency, could be the great surprise of the 2030s.

Conclusion

- The monetary outlook by 2025-2030 draught up here represents the point of view of the author who assumes the entire responsibility of this vision which will be confirmed or infirmed in the future decades…
- Alongside this point of view, I would like to recall certain ideas that the American Jim Rogers (co-founder of the Quantum Fund together with George Soros) presented in an interview for the "Le Figaro Economie" in February of 2004:

1. "I am extremely pessimistic when it comes to the evolution of the American dollar. On the short term, it could recover but it will experience a decline due to the force of circumstances and will lose its rank as a reference and reserve currency at international level. The US is a very indebted country (about 7000 billion dollars) towards the rest of the rest of the world. Today, the external debt rises by 1000 billion dollars every 20 months, a rhythm that is currently unstoppable."
2. "The Chinese renminbi is the only currency that seems capable to replace the American dollar one day but, presently, it is not convertible (the yuan will became totally

convertible in 5-6 years when the greatest part of the restrictions that are applied to the transfer of capital will be removed)".

3. I do not believe euro will survive more than a few decades (!). Why? First, in the past no currency union has last more than a few decades. Then, euro has been conceived by politicians who wanted a sound currency. Today, politicians who rule Europe do not pay attention to euro anymore. The Stability Pact is breaking down and we may be confident about the fact that all future arrangements will not be observed. It is possible that one day a member country will shut the door in front of euro. Euroland is rich, as well populated as US and has an excedent in its trade account. I would like euro to last, because we need a substitute for dollar. But today, I do not think so..."

4. China will be the country of the XXI century... In the long run, I am more optimistic about the prospects of yuan than those of the dollar" (!)

Robert Mundell (the spiritual father of euro): Will there be a single world country?

- No, each region will preserve its currency... For the international trade there will be a common unit of account based on a basket including US dollar, euro and yen. How will this be achieved?
- We may take the example of euro. In the first stage, there will be a common inflation goal. Then, a joint comitee will set the interest rate. The exchange rate stability will be acieved through interventions...

Japan, China, Taiwan and Hong Kong hold half of the world foreign exchange reserves. These are represented by dollars (80%) and euros (18%). In the future, these countries wish to increase the amount of euro in their reserves to 30%.

- the equilibrium exchange rate might fluctuate around 1.10dollars/euro.
- a strong economy stimulates the demand for its currency to increase.

„US have the ability to manipulate the dollar exchange rate so that to adapt its value to national considerations. EU laks so far the means to do the same thing.

Fred Bergsten (US Treasury): What will be the role of euro and when will it happen?

- „Very important and very soon. Given the intrinsec advantages of EU's economy, it will take 5-10 years for euro to enjoy a similar position to that of the dollar.