

The Politics of De-Dollarization: How Gold is Redrawing Global Power Structures

(From U.S. Dominance to a Global Monetary Shift)

Ansh Chauhan

Amity Institute of Social Science, Amity University, Noida, Uttar Pradesh

Abstract

The world's financial order is quietly but fundamentally shifting. For decades, the U.S. dollar sat at the centre of global trade and reserves, a position cemented in 1971 when America severed the dollar's last link to gold and assumed unchallenged control over how the world stores and moves money. That era of dominance is now fraying at the edges. What changed things wasn't a recession or a market crash. It was a political moment: in 2022, Western governments froze roughly \$300 billion of Russia's foreign exchange reserves overnight. For dozens of nations watching from the sidelines, the message was unmistakable dollar-denominated wealth can be taken away. The response was swift and historic. Central banks began buying gold at over 1,000 tonnes per year, a pace the modern world has never seen before. India sits at the heart of this story. The Reserve Bank of India has steadily built its gold reserves to approximately 882 tonnes, with gold now making up over nine percent of the country's total foreign exchange holdings. This isn't caution but it's strategy. It reflects a clear national choice to reduce dependence on systems that others control. This report argues that the global turn toward gold is not a temporary hedge. It signals a deeper rethinking of what financial security means when the rules of money can be rewritten by a single powerful state. By that measure, gold has rarely mattered more.

Keywords: central bank gold purchases, financial sovereignty, global monetary system, gold reserves, reserve bank of India, U.S. dollar dominance.

1. Introduction: The Strategic Re-Emergence of Gold

1.1. Defining the Strategic Role of Gold in Global Monetary Order

Gold has never really gone away. Across centuries and civilisations, it has held a kind of trust that no paper currency has ever fully replicated partly because it is scarce, partly because everyone recognises its value, and partly because no government can print more of it when things get difficult. These qualities made gold the natural foundation of monetary systems for most of recorded history (World Gold Council, 2025). That foundation was deliberately dismantled in the early 1970s, when nations shifted to fiat money currencies whose value rests entirely on government assurance rather than anything tangible. Gold was quietly pushed

*Corresponding Author Email: anshchauhan30j@gmail.com

Published: 30 April 2026

DOI: <https://doi.org/10.70558/IJSSR.2026.v3.i2.30919>

Copyright © 2026 The Author(s). This work is licensed under a Creative Commons Attribution 4.0 International License (CC BY 4.0).

aside, and the U.S. dollar moved into its place as the world's dominant reserve currency (Investopedia, n.d.; U.S. Department of State, n.d.).

For a long time, that arrangement seemed to work well enough. But the world of today bears little resemblance to the world of 1971. Geopolitical tensions have sharpened, economic uncertainties have deepened, and a growing number of countries are asking an uncomfortable question: does a monetary system built entirely around one nation's currency serve everyone's interests? In this climate, gold is making a quiet but unmistakable return not as a nostalgic throwback, but as a deliberate strategic choice. Countries that once treated gold as little more than a commodity are now treating it as armour, a way of protecting economic independence from outside pressure (Arslanalp, Eichengreen, & Simpson-Bell, 2023). Increasingly, gold is being understood not just as wealth, but as sovereignty (World Gold Council, 2024).

1.2. The Nexus of Finance and Geopolitics

To understand why gold is coming back, it helps to understand how the dollar got so dominant in the first place. After the Second World War, the United States emerged as the world's preeminent economic and military power. That position gave the dollar a natural advantage: it became the default currency for international trade, foreign reserves, and cross-border transactions (U.S. Department of State, n.d.). For any country wanting to participate in the global economy, holding and using dollars was not optional, it was the price of entry.

But this dominance came with a cost that only the United States didn't have to pay. Countries that relied heavily on the dollar were also exposed to American monetary decisions, made entirely in Washington with American interests in mind. More critically, they were vulnerable to U.S. sanctions, which could freeze or restrict their dollar-denominated assets at any moment (Arslanalp, Eichengreen, & Simpson-Bell, 2023). For most of the twentieth century, countries accepted this as a manageable risk. In a more fractured twenty-first century, that acceptance is breaking down.

Today, a significant and growing number of nations are actively working to reduce their dollar dependence. This de-dollarisation process is not just an economic strategy, it is a political one. These countries are trying to ensure that their national interests cannot be held hostage by the financial or foreign policy decisions of a distant government (CFA Institute, 2025; CNAS, n.d.).

Within this search for alternatives, gold has emerged as the most credible answer. It belongs to no country. Its value cannot be manipulated by any central bank's printing press, and no foreign government can freeze it with an executive order. For nations building reserves they can rely on, gold offers something no currency ever could: genuine financial independence (World Gold Council, 2024). That quality has driven a historic surge in central bank gold purchases since the early 2020s, as country after country quietly rewrites the rules of how national wealth is stored (World Gold Council, 2025).

1.3. Research Methodology

This study uses a mixed-methods framework combining two analytical lenses (Creswell & Plano Clark, 2018). The first is qualitative geopolitical analysis examining what drives

sovereign reserve managers and how their thinking shifted after the 2022 sanctions on Russia. The study compares countries actively accumulating gold, including China, Russia, India, and Turkey, against developed economies like Canada and Japan that have not taken that path (CFA Institute, 2025; World Gold Council, 2024).

The second lens is quantitative: examining how much gold central banks have been buying, how reserve compositions have changed, and how gold prices have moved alongside geopolitical events. Primary data sources include World Gold Council publications, the IMF's COFER database, and Reserve Bank of India reports covering 2022–2024 (World Gold Council, 2025; IMF COFER, n.d.; RBI, 2024).

The focus on 2022–2024 is deliberate. The freezing of Russian reserves was not just a significant event; it was a turning point that converted a theoretical risk into a lived reality for dozens of countries. Three consecutive years of central bank purchases exceeding 1,000 tonnes annually confirms this was the beginning of a structural shift, not a temporary reaction (World Gold Council, 2025).

1.4. The India Case Framing: Dual Role as Emerging Economy and Private Gold Power

India occupies a genuinely unusual position in this story. Its relationship with gold runs on two parallel tracks that must be understood together.

At the official level, the Reserve Bank of India has been building gold reserves with real purpose. Holdings now stand at approximately 882 tonnes, representing 9.32% of India's total foreign exchange reserves placing it firmly among the leading emerging economies in goldbacked financial independence (DD News, 2025; World Gold Council, 2024, 2025).

At the household level, the scale is extraordinary. Indian families and institutions collectively hold an estimated 22,000 to 27,871 tonnes of gold the largest private stock of any nation on earth (India Gold Policy Centre, 2025). This gold is not held as a financial investment in any conventional sense. It is woven into the cultural life of the country: inherited across generations, exchanged at weddings and festivals, treated as a form of security that exists entirely outside formal financial systems.

This is where the fundamental tension lies. The RBI is building India's external defences, but the enormous private stock sitting in household safes and jewellery boxes contributes almost nothing to the broader economy. Research suggests that mobilising even five percent of it by reducing import dependence and channelling it into formal instruments could add between one and one-and-a-half percentage points to GDP (India Gold Policy Centre, 2025; Times of India, n.d.). The challenge is achieving this without disrupting the cultural meaning that Indians attach to their gold. That is a genuinely difficult policy problem, and one that sits at the heart of India's path toward financial autonomy (Times of India, n.d.).

2. U.S. Dominance and the Gold–Dollar System (1944–2020)

When the world emerged from the wreckage of the Second World War, the immediate challenge was rebuilding a financial system that wouldn't repeat the chaos of the 1930s — the competitive devaluations, the collapses, the beggar-thy-neighbour currency wars (U.S. Department of State,

n.d.). The system that emerged from that effort was built around the United States, and America kept that central position long after the original logic justifying it had ceased to apply (Investopedia, n.d.).

1.1. The Bretton Woods System (1944): The Golden Anchor of Dollar Supremacy

In July 1944, representatives from forty-four nations met at Bretton Woods, New Hampshire, and hammered out a new architecture for global finance. The structure was simple: most currencies would be pegged to the dollar, and the dollar itself could be exchanged for gold at a fixed rate of thirty-five dollars per ounce (U.S. Department of State, n.d.). This gold-anchored dollar standard gave the world real confidence that American currency meant something that it represented tangible value, not just a government's word (Investopedia, n.d.).

For roughly two decades, it held. But cracks began to appear in the early 1960s. The United States was spending heavily fighting in Vietnam while simultaneously expanding domestic welfare programmes and far more dollars were flowing into the global economy than America had gold to back them (Arslanalp, Eichengreen, & Simpson-Bell, 2023). The world was holding American currency on a guaranteed Washington could no longer fully honour. The end was only a matter of time (CFA Institute, 2025).

1.2. The Nixon Shock (1971): The Transfer of Power from Gold to Fiat

The breaking point came in August 1971. President Nixon went on television and announced what he called a "New Economic Policy" framed as a package of measures to protect American workers and restore stability (Investopedia, n.d.). What he did not say was that these decisions would fundamentally change how money worked everywhere on earth (U.S. Department of State, n.d.).

The Key Decision

The most consequential element was ending the dollar's convertibility into gold. From that day, foreign governments could no longer exchange their dollar reserves for American gold at the Treasury. Bretton Woods was over. The world entered the era of fully fiat currencies, and has never left (Investopedia, n.d.).

Other Major Policy Measures

Nixon also introduced a ninety-day freeze on wages and prices to push back against inflation, and a ten percent surcharge on all imports to pressure trading partners into revaluing their currencies. Neither worked cleanly. The decade that followed was marked by stagflation high inflation, sluggish growth, rising unemployment and the dollar lost roughly a third of its value through the 1970s (CFA Institute, 2025). But beneath that turbulence lay a significant new advantage for Washington: free from the discipline of gold convertibility, the United States could now expand its money supply and manage its economy without any hard ceiling on how many dollars it could create (World Gold Council, 2024).

1.3. Long-Term Financial Implications and Continued Primacy

Without gold constraining its monetary decisions, the Federal Reserve gained a degree of flexibility that would have been impossible under Bretton Woods. Other countries, recognising

the practical advantages of fiat systems, followed suit (Investopedia, n.d.; World Gold Council, 2024).

What is genuinely remarkable is how well the United States held its dominant position even through serious crises. The 2007–2009 financial crisis, which originated inside the American banking system, might have been expected to shatter the dollar's credibility. It did not. Three factors explain that durability. The Federal Reserve's reach into global capital markets meant its decisions affected every major economy on earth, reinforcing the dollar's indispensability (CFA Institute, 2025). America's institutional infrastructure, its legal system, regulatory depth, and financial markets offered a reliability that no competitor could match (U.S. Department of State, n.d.). And the Petrodollar arrangement, through which oil-exporting nations settled energy trade in dollars, created a permanent structural demand for American currency that proved remarkably resilient (CNAS, n.d.).

3. Decline of Trust in the U.S. & Global Rush for Gold (2020– Present)

Something has changed in how nations relate to the American-led financial system and it did not happen because of a routine economic downturn. It happened because countries began to see clearly that the system they had relied on for decades could be turned against them (CFA Institute, 2025). When the United States and its allies began using financial infrastructure as a geopolitical weapon, the calculations governments make about where to store national wealth changed permanently (Arslanalp, Eichengreen, & Simpson-Bell, 2023).

3.1. The Weaponisation of Reserve Assets and the Erosion of Trust

The uncomfortable reality at the heart of dollar dominance is this: any country that holds its wealth in dollars depends, to some degree, on American goodwill. U.S. monetary policy decisions, made for American purposes, directly affect reserve values in countries thousands of miles away. And sanctions can render those reserves inaccessible without warning (CNAS, n.d.). That threat became concrete in February 2022, when Western governments collectively froze approximately \$300 billion of Russia's foreign currency reserves following the invasion of Ukraine (Arslanalp et al., 2023). The action was unprecedented. No country had previously seen sovereign reserves accumulated over years of economic activity, held in institutions assumed to be neutral rendered unusable by a political decision made abroad.

The message to the rest of the world was impossible to ignore. Any nation holding substantial dollar-linked reserves now had undeniable proof that those reserves were not entirely theirs (CFA Institute, 2025). For governments already navigating tense relationships with Western powers, this was not a theoretical warning. It was a live demonstration (World Gold Council, 2025).

Why Gold Became the Safe Alternative

Gold carries none of the vulnerabilities that 2022 exposed. Physical gold stored within a country's own borders cannot be frozen or digitally suspended by any foreign authority (World Gold Council, 2024). Because it exists outside any nation's legal jurisdiction, domestically held gold stays fully under the control of the country that owns it (India Gold Policy Centre, 2025). And gold-based transactions are substantially harder to monitor and intercept than

electronic transfers through the international banking system, giving sanctioned countries a practical means of continuing essential trade (CNAS, n.d.). For these reasons, gold reasserted itself as the one reserve asset genuinely beyond political interference (World Gold Council, 2025).

3.2. De-Dollarisation as a Structural Imperative

What began as crisis management has evolved into something more deliberate. Reducing dollar dependence is now a long-term strategic objective for a wide range of nations, particularly in the developing world (CFA Institute, 2025). The BRICS grouping has become the most visible forum for this shift (World Gold Council, 2024). Russia holds approximately 2,300 tonnes of gold as an explicit buffer against financial isolation (World Gold Council, 2025). China officially reports 2,168 tonnes, but analysts widely believe the true figure is considerably higher with Société Générale estimating undisclosed purchases could be as much as ten times Beijing's reported monthly additions (Société Générale Research, 2024). By accumulating quietly, China avoids triggering price spikes while building the reserve base it believes a future non-dollar monetary architecture will require (CNAS, n.d.).

3.3. The Quantification of the Global Gold Rush

The numbers make the shift unmistakable. For three consecutive years, the world's central banks collectively added over 1,000 tonnes to their gold reserves: 1,080.0 tonnes in 2022, 1,050.8 tonnes in 2023, and 1,089.4 tonnes in 2024 (World Gold Council, 2024; Visual Capitalist, n.d.). The combined 3,220.2 tonnes accumulated between 2022 and 2024 is more than double the 1,575.7 tonnes bought in the equivalent period from 2014 to 2016 and dwarfs the 473-tonne annual average of the preceding decade (CFA Institute, 2025; Arslanalp et al., 2023).

3.4. Mechanics of Dollar Bypass: SWIFT Alternatives and CBDC Integration

Building gold reserves addresses the storage problem. But conducting international transactions outside the dollar system requires entirely new infrastructure payment networks, messaging systems, and digital currency platforms designed to move money across borders without touching the dollar or passing through American-jurisdiction institutions (CNAS, n.d.).

A. SWIFT Alternatives

China's CIPS, launched in 2015, handles the clearing and settlement of cross-border Renminbi payments independently of SWIFT's settlement infrastructure (Tsang & Kim, 2025). In 2024 alone, CIPS processed RMB 175.49 trillion roughly US\$24.47 trillion a 42.60% year-on-year increase, establishing it as a functioning non-dollar payment network for Asian and BRICS trade (World Gold Council, 2024). Russia's SPFS serves a complementary role, enabling domestic and bilateral financial messaging after Russia was cut off from SWIFT in 2022, including settlement arrangements with India through Rupee Debt Accounts that bypass the dollar entirely (India Gold Policy Centre, 2025).

B. Central Bank Digital Currencies (CBDCs) and Multilateral Platforms

The mBridge project takes this further, using distributed ledger technology to enable real-time direct settlement between participating central banks with no intermediary currency required (Tsang & Kim, 2025). When China and Saudi Arabia need to transact, mBridge removes the need to convert into dollars as a common intermediary. Research suggests DLT platforms of this type could cut cross-border transaction costs by up to fifty percent and compress settlement times to seconds (Tsang & Kim, 2025). Gold plays an anchoring role within this new architecture the universally accepted, politically neutral asset that gives these emerging systems the credibility they cannot yet generate on their own (World Gold Council, 2025; CFA Institute, 2025).

3.5. Quantification and Drivers of the Gold Rush

3.5.1. The Global Central Bank Buying Spree (2022–2025)

The numbers behind the global shift toward gold are not just impressive, they are historically without precedent. Since 2022, the world's central banks have collectively bought more than 1,000 tonnes of gold every single year: 1,080.0 tonnes in 2022, 1,050.8 tonnes in 2023, and 1,044.6 tonnes in 2024 (World Gold Council, 2025). Add those together and you get 3,220.2 tonnes accumulated in just three years more than double the 1,575.7 tonnes purchased across the comparable period from 2014 to 2016, and nearly three times the 473-tonne annual average that held steady through the decade between 2010 and 2021 (Visual Capitalist, n.d.; World Gold Council, 2024).

This is not the behaviour of investors reacting nervously to a passing storm. It reflects a settled, deliberate policy shift by sovereign reserve managers across the world (CFA Institute, 2025). A survey of central bank officials reinforces that reading: 76% of respondents said they expect gold to make up a moderately or significantly larger share of global reserves within the next five years (World Gold Council, 2025). The direction is clear, and nothing on the horizon suggests it is about to reverse.

3.5.2. Gold Price Dynamics, Geopolitical Risk, and Financial Markets

This surge in central bank buying has not happened in a vacuum. It has both coincided with and actively contributed to a remarkable rally in gold prices. The metal is projected to record a price gain of approximately 42% in 2025 alone a performance that would rank among the strongest single-year movements since the extraordinary volatility of the late 1970s (CFA Institute, 2025).

The link between geopolitical stress and gold demand is well established, and recent evidence sharpens it further. Nearly 30% of surveyed central banks identified geopolitical tension as one of their primary reasons for raising gold allocations (World Gold Council, 2024). Quantitative research goes further still, attributing as much as 47% of the price increase seen in early 2025 directly to rising geopolitical uncertainty (India Gold Policy Centre, 2025). What makes gold uniquely valuable in these conditions is precisely that it holds its worth when institutions, governments, and political systems become unreliable. That is not a feature that many assets can credibly claim (Arslanalp, Eichengreen, & Simpson-Bell, 2023).

Perhaps the most revealing feature of the current environment is that central banks have kept buying aggressively even as prices have climbed sharply. In most markets, higher prices cool demand. That relationship has broken down here because for sovereign buyers, this was never about finding the best price. It is about security. Governments are willing to pay a premium for an asset that no foreign power can seize, and that willingness itself creates a durable floor beneath gold prices that is unlikely to disappear (World Gold Council, 2025; CFA Institute, 2025).

3.5.3 Central Bank Policies and U.S. Federal Reserve Influence

Gold and the U.S. Federal Reserve have always had a complicated relationship. The Fed's interest rate and money supply decisions directly shape the appeal of holding gold, mainly through their effect on opportunity cost. When Treasury bonds and other dollar-denominated instruments are offering strong real yields, gold which pays nothing becomes relatively less attractive. When those yields fall, or when markets expect them to fall, gold starts to look far more appealing (Investopedia, n.d.; CFA Institute, 2025).

In a low-rate environment, investors forgo less by holding gold instead of bonds, which draws more institutional money into the metal and tends to push prices higher (Discovery Alert, 2025). When the Fed pursues loose monetary policy that weakens the dollar, gold also becomes cheaper for foreign buyers in their own currencies, further stimulating demand from central banks around the world (World Gold Council, 2024). Market anticipation of these shifts regularly triggers portfolio rebalancing that lifts gold ETFs and supports spot prices (CFA Institute, 2025).

For emerging market central banks, though, these interest rate mechanics are largely secondary. The Fed's policy cycle might influence the timing of individual purchases, but the deeper motivation is something else entirely: protecting national currencies from debasement, managing long-term foreign exchange risk, and hedging against domestic inflation (India Gold Policy Centre, 2025). The current gold rally reflects both forces at work simultaneously: geopolitical anxiety driving structural, long-term demand, while the prospect of monetary easing adds shorter-term momentum on top (CFA Institute, 2025).

Underneath all of this lies a structural flaw at the core of the dollar system itself. The U.S. dollar serves two roles at once: America's domestic currency and the world's primary reserve asset, and that dual role creates an inherent tension that has never been resolved. The Federal Reserve, entirely reasonably, sets monetary policy in response to American conditions: jobs, inflation, growth. But those domestically driven decisions generate global consequences, producing instability for countries whose reserves and trade are denominated in a currency over whose management they have no say and no influence (CNAS, n.d.). It is this deeper structural vulnerability, not any single policy decision, that has made gold increasingly attractive to foreign central banks seeking genuine, lasting independence from the unpredictability of American monetary governance (World Gold Council, 2025).

4. India's Strategy for Stability, Security & Strategic Autonomy

If the Thesis showed how dollar dominance was built, and the Antithesis showed how trust in it is breaking down, then India's story is the Synthesis: a country actively navigating this

transition, using gold as both a shield and a stepping stone toward genuine financial independence. India's position operates on two levels that must be read together: the Reserve Bank steadily building official reserves, and Indian households sitting on one of the largest private gold stocks on earth real wealth that barely touches the formal economy.

4.1. RBI Reserve Management and Strategic Accumulation

India's RBI gold programme has shifted from measured to striking in a short time. Gold is no longer a peripheral line item, it has become a central pillar of India's strategy for insulating itself from external financial shocks (World Gold Council, 2024a).

The pace of purchases in 2024 was exceptional. Between January and October, the RBI acquired 77 tonnes five times what it bought in the same period of 2023. In October alone, India added 27 tonnes, making it the world's single largest central bank buyer for that month (World Gold Council, 2024a). India, Turkey, and Poland together accounted for roughly 60% of total global net purchases during this period (IMF, 2024).

India's official holdings now stand at approximately 882 tonnes, with gold representing 9.32% of total foreign exchange reserves up from 8.15% in March 2024 (RBI, 2024). Of that, 510.46 tonnes is stored domestically and 324.01 tonnes at the Bank of England and BIS a split that reflects an ongoing strategic preference for keeping reserves on Indian soil, where they carry no foreign custodial risk (RBI, 2024; BIS, 2024). India's overall forex reserves cover 11.2 months of imports, with gold serving as a critical layer within that buffer (IMF, 2024).

4.2. Gold as a Hedge Against Geopolitical and Macroeconomic Uncertainty

The RBI's strategy is not guesswork; it is grounded in well-established research. Studies consistently show that when conditions become uncertain geopolitical conflict, sudden policy shifts, market volatility institutions and investors gravitate toward assets that are safe and universally recognisable. This "flight to quality" is rational and well-documented (Baur & Lucey, 2010; Beckmann et al., 2015).

For India specifically, gold has historically delivered reliable returns during periods of elevated geopolitical risk (Singh & Ghosh, 2023), functioned as an effective hedge against economic policy uncertainty (Mukherjee, 2022), and stabilised portfolio performance when normal correlations between asset classes break down (Baur & McDermott, 2016). The RBI's accumulation programme is, in this light, a calculated and evidence-backed effort to make India more durable against the kinds of shocks that have repeatedly destabilised emerging economies (RBI, 2024).

4.3. Domestic Policy Challenges: Monetisation, Smuggling, and Policy Conflict

India's strength at the official level sits alongside a serious domestic challenge. Households hold an estimated 22,000 tonnes of gold, one of the largest concentrations of private wealth in any single form anywhere in the world (IMF, 2023). Almost none of it circulates in the formal economy. It sits in safes and jewellery boxes, culturally treasured but economically dormant.

The 2015 Gold Monetisation Scheme attempted to change this. The logic was sound: deposit gold, earn interest, reduce import dependence. But the scheme required jewellery to be physically melted before it could be deposited. For most Indian families, that was a

dealbreaker. Indian gold jewellery is not just valuable, it carries memory, identity, and generational meaning.

No interest rate compensates for destroying something like that. Uptake was negligible (NITI Aayog, 2022). The IMF estimates that mobilising just five percent of India's private stock could add one to one-and-a-half percentage points to GDP growth (IMF, 2023).

Gold smuggling compounds the problem. Even after India reduced import duties in July 2024, the near-70% rise in global gold prices between 2023 and 2025 widened the price differential enough to make illegal importation highly profitable (WGC, 2025). Annual losses include ₹7.7 billion in customs duty, ₹3.9 billion in sales tax evasion, and ₹12.0 billion in market distortion along with unmeasured damage to trade balance data and foreign exchange accounting (DRI, 2024).

4.4. Overcoming Cultural Barriers: Alternative Policy Paths

The failure of the Gold Monetisation Scheme carries a clear lesson. India will not unlock its private gold wealth through policies that treat cultural attachment as an obstacle. Any policy that requires people to surrender something emotionally significant will face resistance, regardless of the financial incentive (NITI Aayog, 2022). The question is not how to separate Indian families from their gold; it is how to create frameworks that allow that gold to serve broader economic purposes without demanding its surrender.

A. Leveraging Gold for Retirement Security

Sovereign Gold Bonds have already shown that Indians will engage with gold in financial form when the product respects their underlying relationship with the metal. The Pension Fund Regulatory and Development Authority is now examining the integration of gold-backed instruments within the National Pension System (PFRDA, 2024). Products of this kind speak directly to how Indian households already think about gold as intergenerational security while channelling that instinct into structures that serve the wider economy.

B. Strengthening the Domestic Ecosystem: Refining and Recycling

A domestic refining and recycling ecosystem would allow India to recirculate existing gold stocks rather than perpetually importing new ones. The India Good Delivery Standards introduced in 2020 brought domestic refining in line with global benchmarks (India Bullion & Jewellers Association, 2020). Revisions to the Gold Monetisation Scheme have enabled jewellers to serve as collection and purity testing centres, allowing banks to source domestically refined gold and reducing reliance on leased foreign bullion (MoF, 2024).

C. Lessons from International Models

Turkey offers the most instructive parallel. Turkish households hold gold for many of the same cultural reasons as Indian ones. Yet Turkey built monetisation programmes that succeeded by working with those preferences rather than against them (OECD, 2022). The core lesson is simple: when people feel a policy respect what their gold means to them, they engage. When they feel it demands something precious, they don't. India has that example available and

adapting it to Indian conditions is one of the clearest policy opportunities on the table (OECD, 2022).

4.5. Comparative Strategies and Policy Synthesis

Russia's experience since 2022 has provided the world with the most direct demonstration of what gold's strategic value looks like. When G7 nations froze Russia's foreign exchange reserves, Moscow's capacity to keep functioning rested substantially on its domestically held gold approximately 2,300 tonnes that no foreign government could touch. That stockpile underpinned Russia's ability to sustain trade through bilateral arrangements and operate SPFS outside the SWIFT system (Bank of Russia, 2023). Russia's experience has, in concrete terms, validated the strategic logic now driving gold accumulation across dozens of other countries (CNAS, 2023).

China's approach is defined by patience and deliberate opacity. Official holdings reached 2,304.5 tonnes as of October 2025, but Société Générale and others have identified major gaps between official figures and estimated actual purchases with some analyses suggesting undisclosed acquisitions between 2022 and 2023 may have exceeded official disclosures by over 1,300 tonnes (SocGen, 2024; Bloomberg, 2025). Buying quietly serves two purposes: it keeps acquisition costs manageable, and it avoids any declaration of intent that would invite confrontation with the United States. China's gold strategy is ultimately oriented toward positioning itself for a future monetary architecture that operates outside dollar dominance (Bloomberg, 2025).

Across emerging market economies, gold strategies vary but share a common thread. Turkey has used gold as a crisis stabiliser during severe lira depreciation (OECD, 2023). Poland has pursued systematic accumulation, adding 90 tonnes in 2024 more than any other central bank as part of a long-term programme to align its reserve composition with major European neighbours (NBP, 2024). India's model sits in its own category: growth-driven and structurally motivated, building reserves robust enough to maintain 11.2 months of import cover while absorbing whatever shocks emerge (RBI, 2024). Across all three, and the broader EMDE universe, gold's share of reserves has risen to an average of approximately 9% a shared calculation that reducing dollar dependence through physical gold ownership is rational and necessary (IMF, 2024).

4.6. Counterarguments and Limitations of Gold Reliance

A balanced analysis must acknowledge what gold cannot do. It pays nothing. Every tonne sitting in a vault is capital that could be earning interest elsewhere and for countries managing large reserve portfolios with complex obligations, that opportunity cost is real (CFA Institute, 2025). Gold is also more volatile than its reputation sometimes suggests; the sharp correction following the 2025 rally peak was a reminder that it is not immune to market reversals (World Bank, 2023). Developed economies have largely drawn a different conclusion from the same landscape of global uncertainty. Canada divested all its gold reserves by 2016, concluding that institutional credibility and deep capital market access offer more practical protection than physical gold (Government of Canada, 2017). Japan relies primarily on its position within the international sanction's coalition as its hedge against financial coercion (BoJ, 2023). The

contrast is illuminating for developed economies; strong institutions are their insurance. For EMDEs that lack that institutional standing, gold fills the gap. There is also a supply-side constraint worth noting: gold mining generates roughly 12,500 kilograms of carbon-equivalent emissions per kilogram of gold produced, and supply chains face growing regulatory pressure around environmental and social standards. These constraints will not stop central banks from accumulating gold in the near term, but they will shape the pace and economics of that accumulation over the longer horizon (World Bank, 2023).

Conclusion

The world's financial order is shifting quietly, but with real conviction. For decades, the U.S. dollar was the unquestioned anchor of global trade and reserves. Today, that dominance is being contested not through conflict, but through deliberate choice. Nations are diversifying away from a system where money can be frozen, devalued, or used as a political weapon. Their preferred alternative is gold: timeless, borderless, and beyond the reach of any single government's decisions.

The numbers are unambiguous. Since 2022, central banks have bought over 1,000 tonnes of gold every year a sustained, coordinated signal that the era of unchallenged dollar supremacy is giving way to a more multipolar financial world.

For India, this transition is not a distant phenomenon to observe. It is an invitation to act. India sits at a rare intersection of cultural depth and strategic opportunity. Its citizens hold approximately 22,000 tonnes of gold privately one of the largest concentrations of private wealth on earth. The Reserve Bank has been steadily expanding official holdings. Together, these assets represent something far greater than savings or tradition. They represent the foundation of national financial resilience.

Realising that potential requires deliberate policy. The RBI must continue growing and repatriating its reserves to reduce dependence on foreign custodians. The country's vast privately held gold must be brought into productive use not by compelling citizens to surrender it, but by building compelling instruments, such as gold-linked pension products, that honour cultural preferences while generating economic value. Investment in domestic refining and recycling infrastructure can reduce import dependency and move India toward a self-sustaining gold economy. And addressing the structural flaws that drive ₹7.7 billion in annual smuggling losses requires not reactive duty adjustments, but a stable, well-reasoned customs framework aligned with market realities.

The broader opportunity is historic. As the global monetary system rebalances toward multiple reserve currencies and assets, gold is emerging as the common thread trusted by East and West alike. India, with its unmatched cultural relationship with gold and its growing economic weight, is uniquely placed to turn that heritage into lasting strategic advantage. The question is no longer whether gold matters. The question is whether India will move with the clarity and conviction needed to transform its golden wealth into genuine financial sovereignty.

REFERENCES

Arslanalp, S., Eichengreen, B., & Simpson-Bell, C. (2023). Gold as international reserves: A

- barbarous relic no more? (IMF Working Paper No. 2023/014). International Monetary Fund. <https://www.imf.org/en/publications/wp/issues/2023/01/27/gold-as-international-reserves-a-barbarous-relic-no-more-528089>
- Angel One. (2025). Indian household gold holdings surge to 27,871 tons amid global price rally. Angel One. <https://www.angelone.in/news/economy/indian-household-gold-holdings-surge-to-27871-tons-amid-global-price-rally>
- Bank for International Settlements. (2019). Reserves management (BIS Papers No. 104). BIS. <https://www.bis.org/publ/bppdf/bispap104u.pdf>
- BNN Bloomberg. (2025, October 17). Gold is surging as Canada, a leading producer, has none. BNN Bloomberg. <https://www.bnnbloomberg.ca/business/2025/10/17/gold-is-surging-as-canada-a-leading-producer-has-none-is-it-time-to-buy/>
- Center for a New American Security. (n.d.). Why China's CIPS matters (and not for the reasons you think). CNAS. <https://www.cnas.org/publications/commentary/why-chinas-cips-matters-and-not-for-the-reasons-you-think>
- CFA Institute. (2025, October 23). From hedge to test case: Gold's volatility and the limits of safety. CFA Institute Blogs. <https://blogs.cfainstitute.org/investor/2025/10/23/from-hedge-to-test-case-golds-volatility-and-the-limits-of-safety/>
- Coin Bazaar. (n.d.). Gold in geopolitics: How sanctions and dollar dependence are driving gold purchases. <https://coinbazaar.in/blog/gold-in-geopolitics-how-sanctions-and-dollar-dependence-are-driving-gold-purchases/>
- Discovery Alert. (2025a). Gold smuggling networks India 2025 analysis. <https://discoveryalert.com.au/gold-smuggling-networks-india-2025-analysis/>
- Discovery Alert. (2025b). Central bank gold accumulation 2025: Strategies & trends. <https://discoveryalert.com.au/central-bank-gold-accumulation-2025-strategies-trends/>
- Discovery Alert. (2025c). China gold accumulation strategy 2025: Covert purchases. <https://discoveryalert.com.au/china-gold-accumulation-strategy-2025-covert-purchases/>
- Discovery Alert. (2025d). Federal Reserve monetary policy impact on precious metals 2025. <https://discoveryalert.com.au/federal-reserve-monetary-policy-impact-precious-metals-2025/>
- DD News. (2025, November 17). RBI increases gold reserves to 855 metric tonnes. DD News. <https://ddnews.gov.in/en/rbi-increases-gold-reserves-to-855-metric-tonnes-forex-reserves-cover-11-2-months-of-imports>
- EconoFact. (n.d.). Why has the price of gold risen so sharply? EconoFact. <https://econofact.org/why-has-the-price-of-gold-risen-so-sharply>
- ETV Bharat. (2025, October 29). China's digital currency push: Fast, borderless payments challenge dollar dominance. ETV Bharat. <https://www.etvbharat.com/en/bharat/chinas-digital-currency-push-fast-borderless->

[payments-challenge-dollar-dominance-but-global-trust-remains-key-enn25102903433](#)

Euromoney. (n.d.). Could China-led wholesale CBDC fuel de-dollarization? Euromoney. <https://www.euromoney.com/article/2dd0z8ym848elao2gar5s/fintech/could-china-led-wholesale-cbdc-fuel-de-dollarization>

European Parliament. (2019). Central bank reserve diversification: Euro, SDR, and cryptocurrencies. European Parliament. https://www.europarl.europa.eu/cmsdata/149900/CASE_FINAL%20publication.pdf

Flemming, J., & Judson, R. A. (2024, February 16). Implications of a U.S. CBDC for international payments and the role of the dollar. FEDS Notes. Board of Governors of the Federal Reserve System. <https://www.federalreserve.gov/econres/notes/feds-notes/implications-of-a-u-s-cbdc-for-international-payments-and-the-role-of-the-dollar-20240216.html>

Hinrich Foundation. (2025, May 27). China's quiet inroads on its digital currency for global trade. Hinrich Foundation. <https://www.hinrichfoundation.com/research/article/digital/china-quiet-inroads-on-its-digital-currency-for-global-trade/>

International Monetary Fund. (2016). India: Selected issues (IMF Country Report No. 16/76). IMF. <https://www.elibrary.imf.org/view/journals/002/2016/076/article-A003-en.xml>

Investopedia. (n.d.). The Nixon shock. Investopedia. <https://www.investopedia.com/terms/n/nixon-shock.asp>

Investopedia. (n.d.). How interest rate hikes affect gold prices. Investopedia. <https://www.investopedia.com/articles/investing/100915/effect-fed-fund-rate-hikes-gold.asp>


The Jerusalem Post. (n.d.). China's secretive gold purchases help fuel record rally. The Jerusalem Post. <https://www.jpost.com/business-and-innovation/precious-metals/article-874231>

JPMorgan Chase & Co. (n.d.). The geopolitics of de-dollarization. JPMorgan. <https://www.jpmorgan.com/insights/global-research/currencies/de-dollarization>

Kitco News. (2025, November 18). China-led central bank gold buying spree could stress global markets — SocGen. Kitco. <https://www.kitco.com/news/article/2025-11-18/china-led-central-bank-gold-buying-spreecould-stress-global-markets-socgen>

LiveMint. (n.d.). India tops global gold purchases, adds 27 tonnes to the reserves. Mint. <https://www.livemint.com/economy/india-tops-global-gold-purchases-adds-27-tonnes-to-the-reserves-11733418762909.html>

Mining Weekly. (2025, November 20). UBS raises 2026 mid-year gold target price by \$300 to \$4,500/oz. Mining Weekly. <https://www.miningweekly.com/article/ubs-raises-2026-mid-year-gold-target-price-by-300-to-4-500oz-2025-11-20>

- Oeko-Institut. (n.d.). The impact of gold: Sustainability aspects in the gold supply chains and Switzerland's role as a gold hub. Oeko-Institut. <https://www.oeko.de/en/projects/the-impact-of-gold-sustainability-aspects-in-the-gold-supply-chains-and-switzerlands-role-as-a-gold-hub/>
- Official Monetary and Financial Institutions Forum. (2025, February). Shared BRICS money: A basket currency or a basket case? OMFIF. <https://www.omfif.org/2025/02/shared-brics-money-a-basket-currency-or-a-basket-case/>
- Raina, B., & Bardhan, S. (2025). Geopolitical risk and gold returns in India. India Gold Policy Centre, Indian Institute of Management Ahmedabad. [https://www.iima.ac.in/sites/default/files/2025-03/BismaRaina_Samaresh%20Bardhan%20\(IGPC%202025\).pdf](https://www.iima.ac.in/sites/default/files/2025-03/BismaRaina_Samaresh%20Bardhan%20(IGPC%202025).pdf)
- TheStreet. (n.d.). Goldman Sachs revisits gold price forecast for 2026. TheStreet. <https://www.thestreet.com/investing/goldman-sachs-revisits-gold-price-forecast-for-2026>
- The Times of India. (n.d.). Gold monetisation scheme: How to unlock the value of your idle gold. The Times of India. <https://timesofindia.indiatimes.com/business/financial-literacy/investing/gold-monetisation-scheme-how-to-unlock-the-value-of-your-idle-gold-explained/articleshow/125076080.cms>
- Tsang, E. H., & Kim, Y. (2025). The mBridge project: A multi-CBDC cross-border payment platform. *Journal of Economic & Financial Perspectives*, *Volume*, [page range]. [https://doi.org/\[DOI\]](https://doi.org/[DOI])  Verify journal indexing and supply missing details
- U.S. Department of State, Office of the Historian. (n.d.). Milestones: 1969–1976: The Nixon shock. U.S. Department of State. <https://history.state.gov/milestones/1969-1976/nixon-shock>
- Visual Capitalist. (n.d.). Charted: A decade of central bank gold purchases. Visual Capitalist. <https://www.visualcapitalist.com/sp/charted-a-decade-of-central-bank-gold-purchases/>
- World Bank Group. (n.d.). When uncertainty rises, gold rallies. World Bank Blogs. <https://blogs.worldbank.org/en/opendata/when-uncertainty-rises-gold-rallies>
- World Gold Council. (2025, January). Gold demand trends: Full year 2024 — Central banks and institutions. World Gold Council. <https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-full-year-2024/central-banks>
- World Gold Council. (2025). Central bank gold reserves survey 2025. World Gold Council. <https://www.gold.org/goldhub/research/central-bank-gold-reserves-survey-2025/perspectives-on-gold-reserves>
- World Gold Council. (2025, November). China gold market update. World Gold Council. <https://www.gold.org/goldhub/gold-focus/2025/11/china-gold-market-update-octobers-unseasonable-strength>