Introduction

In the beginning of 2009, the world economy seemed to be moving towards retrogression irrevocably. However, the strong dose from the policies of cash and financial motivation applied have succeeded in returning the stability to the financial system, and setting up the conditions for the world recovery, where they retrieved the flows of private capitals to the markets, whose activity is newly arising, and the world trade returned to its same levels approximately before the Crisis, in addition to gradual increase of trust between the consumers and employers.

While an optimistic and hopeful feeling arose and toke place of the pessimistic feelings, the recovery was considerably variance. The American Union, which was in core of the Crisis, still has a far distant and hard road to return to a permanent growth and low unemployment rates. The European Economics, despite their improvement, may not achieve high rates of growth, especially after flare of Debts Crisis in the area. As to the rising markets, their situation is totally different. China and India, in particular, initiated to retrieve remarkably high rates of growth after their economy had seemed to be exhausted at the end of 2008. Further, many of economics of the other rising markets, which were severely influenced by intensity of the Crisis, especially economics of

Eastern Europe, have not been separated from the stagnancy condition yet, but they initiated to retrieve.

What calls for mockery is that this pattern of retrieval prepares the scene to repeat the world cases themselves from imbalance at the level of the whole economy, which participated in ignition of the Crisis at the beginning. While the deep reasons for the financial Crisis are due to weakness of the control systems and organizing failure, the economic imbalance (arising out of financing of the over-consumption in the United States of America and some other industrial economics by using the surplus savings in the Asian economics and other rising markets), has led to aggravation and explosion of problems against us.

In fact, in order to get out from the Crisis, we find that some of these patterns of growth become deep-rooted ones, while it is still possible that the economic imbalance may come back newly.

China still needs the exports to provide chances of employment, sell the production surplus (more than the internal need), which will be achieved by its recent investment mutation. As well as, the big economics, such as the German and Japanese Economics, in turn continue in dependence of the exports so as to boost their economic flourishing. To sum up, the remaining countries of the world seem that they are still looking for holding on to the United States, leading to breakdown of the economic flourishing of America itself, and causing tensions in the international trade. Naturally, the special internal demand may remain low in the short run, but the Government spending indemnifies this decrease and increases, causing rise of negative saving rates at the national level. This means that the patterns of growth in the world demand may go back to the image in which they seemed in the years preceding the Crisis.

Another aspect of the world economic disorder is related to rise of rates of flow of capitals from the rising markets to the advanced economics. While the private capitals kept on flowing towards the rising markets, the official capitals flows prevailed, and mainly represented in accumulation of the cash reserves, upon flows of private capitals, forcing the net capitals flows to step out from the rising markets.

However, what are the future expectations regarding continuity of the rising markets in accumulation of the cash reserves? In the long run perspective, the rising markets have now stronger incentives, which push them up to secure themselves through accumulation of the cash reserves. First, the rising economics saw how even the strongest stock of foreign currency can shrink extremely quickly. For instance, India and Russia have lost about 1/5 of their cash reserve within only few months during peak time of Crisis. Second, although resources of the International Monetary Fund are expanded, but they may not be enough to confront the case of synchronized decline in many main rising markets. Under the recent Crisis, the countries, which obtained loans of the International Monetary Fund themselves, found out that acceptance of conditions of the Fund to offer these loans did not lead to raise of private capitals flows rates thereto. Third, many of politicians of the rising markets believe that getting loans from the International Monetary Fund is deemed to be a "poisonous" proposal, as there is still a bid shame related to begging to doors of the International Monetary Fund.

However, what does this matter predicts regarding role played by dollar, being a reserve currency of foreign currency dominating the world? To answer this question, study analyses first the trends relating to role played by dollar in the reserves of the world foreign currency. Since the accumulation of cash reserves by mediation of the Asian markets, especially China, constitutes one of the main determinants of the growing international reserves, and will play an important role in returning the balance to the world growth, so the study surveys the horizons of return of the balance to growth in Asia.

Naturally, one of the most important factors defining the importance of dollar in the international monetary system is represented in demand of dollar in activities of trans-borders financial trade and transactions. These considerations are partially related to dominance of the United States of America over the world economy.

Since the Gross Domestic Product (GDP) of the United States of America reached 14.5 trillion dollars, it keeps its position, being the country that has the biggest economy in the world, preceding the whole countries with a great difference. China and Japan, whose Gross Domestic Product (GDP) of each one is amounted to about 5 trillion dollars (as per the market rates of exchange), they are considerably still backward beyond the United States of America regarding the economic volume. Naturally, China and other rising markets witnesses a growth with much more quick rates, and will certainly be of more raise, at the level of the world trade and the world financial system within next years. The recent World Financial Crisis demonstrated this shift in the world economic force.[1]

However, in the current moment dollar is still the main currency used to enter into the international commercial and financial transactions. For instance, Goldberg observes that dollar keeps its dominance over issue of the international debt deeds, despite all speech delivered about retreat of dollar's role in the world money markets.[2]

Development of role played by dollar, being the currency of the world reserve

In this section of study, we will deal with development of the world foreign currency reserves and structure of currencies therein. Share dominated by dollar from the world foreign currency reserves is deemed to be an important indicator for its remarkable role in the world financial system, and reflects awareness of the foreign (official) investors about the long-run expectations relating to American dollar.

Figure (1) shows that accumulation of the foreign currency reserves continues with quick rates around the world, after it had witnessed a short period of stop during the peak of the World Financial Crisis, where some rising markets resorted to consumption of a part of their cash reserves, in order to protect their economy against complications of the Crisis. In 2010, the volume of the world foreign currency reserves exceeded 8 trillion dollar, where the rising markets produced third of it. In fact, the style of accumulation of reserves by mediation of the rising markets throughout the last ten years has considerably exceeded the style of their accumulation by mediation of the advanced economics. As a matter of fact, China is deemed the country that dominates the world foreign currency reserves, where it's official reserves reached a sum of 2.5 trillion dollars in the mid of 2010.

However, what are the currencies that form this huge stock of cash reserves? To answer this question, it is a must to resort to data base of the International Monetary Fund due to structure of currencies of Foreign Exchange Reserves (COFER). It seems that these data do not define structure of currencies of reserves relating to each country individually, since many of countries consider such information to be sensitive as to the market, and International Monetary Fund should be provided with the same ONLY for the purposes of follow up. One of the main problems arises out of the aspect that a number of important rising markets does not inform the International Monetary Fund about structure of currencies that constitute their reserves from the foreign exchange. Although International Monetary Fund does not publish a list of countries preventing from giving a notice, China and some few countries of the Middle East area are among those countries.

Due to the volume of reserve properties relating to this group of countries, during the recent years the International Monetary Fund refrained from its ordinary practice represented in setting out hypotheses pertaining to structure of the currencies, which forms the foreign currency reserves of the countries that abstained from giving a notice. In lieu of this, the International Monetary Fund sets out the world foreign currency reserves of all these countries under category of "Non-allocated reserves", which it does not allocate in favor of any certain hard currency.

The considerable remarkable aspect is that percentage of dollar within properties of the confirmed foreign currency reserve relating to the developing and rising economics kept their stability remarkably throughout the many past years (as from 2004). If the rising markets, which do not inform the International Monetary Fund about structure of currencies of their reserves, follow a behavior similar to that of the countries whose data this study depend. Then, it may remain dominant as to structure of currencies, of which the world foreign currency reserves consist.

It is clear that the role played by dollar in the world foreign currency reserves has great reflections on its value in the long run. This refers to importance of understanding the dynamics relating to the world currency reserves. Accumulation of cash reserve by the countries in the Middle East area depends considerably on oil prices. The second area, which may play an important role in this regard, is Asia area. China and other Asian rising markets played a dominant role in expanding the world foreign currency reserves throughout the last ten years, and many economics considerably depended on the directed form of export and managed big surplus in current accounts, representing the process of re-cycling of funds outside the area. The rate of expansion in the world currency reserves may considerably depend on the aspect that whether the Asian markets will be able to return the balance to their growth towards the internal consumption, shrink their dependence on exports, and re-cycle more savings inside the area itself. In the next section of study, we will analyze these issues in more detail.

Rebalancing the growth in Asia

Due to increasing importance and gravity of the rising Asian markets in the world economy, the process of re-balance of growth in the developing Asian countries constitutes an important element in the world endeavor to achieve the stability of the economic and financial systems in the world. In addition, this process of re-balance may be concentrated on the direct interests of countries of the area. This raises an important question about the way in which the element of "Balance" may be evaluated in any economy. Since there is no decisive way to answer this question, I start by explaining and evaluating the growth patterns in the main rising Asian markets, and then analyzing these patterns from the perspective of extent of the achieved growth's participation in improving the economic welfare of the medium families within these economics.

While the percentage of private consumption of the Gross Domestic Product (GDP) retreated, the United States of America seized the prominent place of exception. In China, an effective change took place in percentage of special consumption, where this percentage dropped from its actual low level, amounting to 46% in the year 2000, to 35% in the year 2008.

In turn, the percentage of both investments and net exports were remarkably increased from the year 2000 to the year 2008 at a rate amounting to about 8% and 6% respectively. As well as, a big retreat took place in percentage of the special consumption from India's Gross Domestic Product (GDP) from 64% in the year 2000 to 57% in the year 2008, and the investments filled in the gap.

One of the other aspects is related to the growth balance, as the growth depended on the foreign trade. Even in case or rise of the rate of exports in the country compared to the Gross Domestic Product (GDP), its balance of trade may be balanced, meaning that net exports were not considerably participating in achieving the main growth of the Gross Domestic Product (GDP). Despite the commonly known idea about China that it depends on the growth driven by export, the direct participation of net exports in growth of the Gross Domestic Product (GDP) did not exceed 1.1% per annum in the period from 2000 – 2008, i.e., 1/10 of the grand growth of the Gross Domestic Product (GDP). However, this participation has been increased since 2006. As to the huge volume, the commercial surplus of China, amounting to 295 billion America dollars in the year 2008 (6.8% out of Gross Domestic Product) dominates currently total Asian trade (except for Japan) with other countries all over the world.

As to employment, last column of Table (1) shows up a weak rate of net growth in the field of employment in China (which hardly reaches one per cent per annum, or about 1/10 out of rate of growth resulted during the current decade).

The Chinese growth form, which considerably depends on growth of investments, had led to limited rates of growth in the field of employment, which is deemed to be a strange thing in the Chinese economy, which possesses a huge manpower and high levels of the disguised unemployment. Although this may reflect a high growth in productivity, the low rate of employment growth is clearly worrisome, even as to the Chinese Government, since its consequences do not only affect upon the economic stability, but also the social stability. The rate of growth in employment in the other Asian economics was humble in turn.

Foreign balances

Connection between the local and world economic imbalances is achieved through the current account, or difference between the national savings and investments. Figure (6) shows total balance of current account of Asia area, except Japan, calculated in billions of American dollars. Total volume of surplus of savings in Asia area is about 100 billion dollars only in the beginning of the first decade of the twenty-first century. If we exclude China, this figure will remain fixed approximately in remaining part of the first decade of the twenty-first century during the year 2007 and 2008.

It is clear that the big increase in surplus of savings in the area comes from China, where the total current account balance relating to the area jumps on enlisting China to 500 billion dollars, in accordance with statistics of the year 2007 – 2008, driven by the great surpluses of the current account achieved by China, which reached 440 billion dollars in the year 2008. In fact, surpluses of current account and national savings achieved by China dominate the balance of special savings and investments in the area, where only China reserves a percentage little less than half out of the Gross Domestic Product (GDP) achieved by Asia area, except for Japan. While China achieves about 90% out of the special surpluses of current account in the area; and the commercial surplus, dominated by China in turn, is deemed to be the main factor defining the surpluses of current account achieved by the area.