

HOW COVID-19 COULD CHANGE THE FINANCIAL WORLD ORDER

America has dominated global finance since the end of the second world war when the current system was built. The economic disaster caused by the coronavirus pandemic could signal a new chapter in financial history with America's leadership called into question.

With a vacuum emerging at the top of the financial order China is vying to compete for greater control. The crisis has provided China with an opportunity to show what it's capable of doing, which in the long run will tip the balance of power.

In global finance, America is king. It controls the world's financial plumbing and accounts for almost a quarter of the world economy. The dollar makes up most central-bank reserves and is the currency of international trade 80% of global supply chains use dollars which gives America significant power. China hopes to correct this imbalance. It already has the world's second-largest economy. The banking sector has been growing steadily for the past ten years while in America, bank assets have remained relatively stable with European banks' assets falling.

Chinese banks now have more assets than those in Europe or America, but most of their business is within China. Chinese banks account for only 7% of cross-border lending thus the banks' vast size hasn't translated into influence within the world's financial system yet.

The covid-19 pandemic could increase China's financial influence. China is now sharing its experience with the rest of the world and providing much-needed supplies. Following the outbreak in Wuhan, China has positioned itself as a global leader, containing the outbreak, agreeing to deals to suspend repayment of some of its loans and charging ahead with vaccine development.

China's tough response to the crisis and the growing size and depth of its financial markets have helped convince investors it's a safe bet even as covid sent other markets crashing. While emerging markets saw the value of bonds plummet earlier in 2020, China's government bonds remained stable which is a good gauge of trust in a country's economy.

As well as improving its reputation with international investors China hopes to increase its hold over how money moves around the world. America has huge influence over the current system, thanks to SWIFT, the world's largest network for transferring money. It's a messaging system that allows financial institutions to communicate. It's meant to be