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# REVERSE CURRENCY WARS IN LIGHT OF INTERNATIONAL CONFLICTS AN ANALYTICAL VISION

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**Abstract:**

The global economy is living after Covid-19 at the end of 2019 and the beginning of the Russian-Ukrainian conflict on February 24, 2022, over which more than a year has passed. Political and financial variables have accumulated instability and reinforced global inflation. In conjunction with these variables, the US Federal Reserve decided to raise the interest rate through Successive several steps that may extend until the middle of this year, which led to a significant increase in the value of the dollar while not decreasing its value in the coming period in light of the Russian-Ukrainian conflict and the US sanctions package on both the Russian money and energy files. The leading currencies and their stability are the basis on which it is based. The stability of the global economic system is why it receives wide attention from developed and developing countries and international institutions to ensure that it is not exposed to severe fluctuations and neutralizes inflationary pressures globally. In emerging and developing countries, the contemporary form of currency wars will create instability for uncle Lat and the prices of food and raw materials. The research considers a primary goal based on showing the reality of the leading currencies and the global monetary system in light of Covid-19 and the subsequent financial rescue packages and economic sanctions in light of the Russian-Ukrainian conflict. The research reached several results, most notably the state of inflation experienced by the global economy, especially after the closure of China and the Russian war. Ukraine and Russia, and the countries of the European Union had the largest share of the rise in inflation rates, in addition to the trend by Russia and its allies to find financial transactions away from the dollar in light of the restriction by the Swift system, according to IMF data, 86 out of 109 developing countries witnessed a rise in inflation. Prices of food commodities over 12 months, at an average of (5%), the share of developing countries was (79%) compared to (27%) for developing countries that are more immune to the rise in food commodity prices.

**Keywords:** Reverse currency war - quantitative easing- trade deficit - inflationary pressures - leading currencies - international conflicts - Russian-Ukrainian conflict .

## INTRODUCTION

This research paper discusses the economic effects of international conflicts between the poles of the global economy on the value of monetary currencies, whether it is the eternal conflict between the United States of America and Russia or between the United States of America and China, the economic power aspiring to dominate the global economy. The trade deficit with China constitutes a constant pressure factor on Decision makers inside the US, through to the renewed Russian-American conflict as a result of the Russian bear's military intervention in neighboring Ukraine on February 24, 2022, and the consequent counter-western position, led by the United States of America and the European Union, by imposing a package of sanctions on the Russian economy aimed at isolating it from the regime. Global financial.

These sanctions forced Russia to rely more on its allies, led by China and India, in promoting trade exchange, especially in the field of the energy sector. As a result of these conflicts, an unstable environment was generated globally and contributed significantly to increasing inflationary pressures around the world and threatening global food security, especially as the conflict countries Russia and Ukraine are major commercial players in the international arena about grain and oil production, as well as Russia's role as a major supplier of energy, especially

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(natural gas), to the countries of the European Union, with the emphasis here that the world has not recovered so far and is still coexisting with the effects of the economic recession generated by the pandemic. Covid-19 year end 2019.

**Research problem:**

The research problem is summed up in the instability of the value of currencies internationally due to renewed conflicts and wars between the main poles of the global economy, whose effects are not limited to developed countries only but also extend to emerging and developing countries alike.

**Research importance:**

The leading currencies and their stability are considered the basis on which the stability of the global economic system rests. This is why they receive wide attention from developed and developing countries and international institutions through their close follow-up of monetary and financial policies to ensure that they are not exposed to severe fluctuations and neutralize inflationary pressures globally.

**Research hypothesis:**

"The contemporary form of currency wars, especially with the decline in the value of the US dollar, will create a state of instability in the prices of foodstuffs and raw materials in the forefront (gold - crude oil - natural gas - copper)

**Research goal:**

The research considers a primary goal based on clarifying the reality of the leading currencies and the global monetary system in light of Covid-19 and the subsequent financial rescue packages and economic sanctions in light of the Russian-Ukrainian conflict.

**Research Methodology:**

In order to enhance the value of the research and to reach valuable results, descriptive and deductive analytical methods will be used by the researcher.

**Research Structure:**

In order to reach results that give the research solid scientific value, the research was divided into two sections. The first section deals with a brief overview of currency wars at the international level and quantitative easing programs. In contrast, the second section deals with reverse currency wars and international conflicts and their economic consequences. The research concludes with several points, which deal with the results and recommendations considered a limited and modest vision in the hope that they will be used with God's help and ability.

## CHAPTER 1 :- A BRIEF OVERVIEW OF CURRENCY WARS IN THE INTERNATIONAL ECONOMY

### FIRSTLY: THE CURRENCY WAR:

The currency war is one of the recurring monetary phenomena over time at the level of the international economy. It is almost ancient in the world, as the origins of the first idea go back to the era of the Roman Empire as a result of expansion and control, and thus its need for long supply lines and more "cash" to maintain its continuity.

The depletion of precious metals (gold and silver) meant the treasury could no longer cover its expenses from its traditional revenues. Accordingly, Emperor Nero decided that the only remedy was to mint more money in contemporary economic literature (the new monetary version, Quantitative easing).

This was adopted by reducing the amount of silver used in the currency from (96% - 0%), which contributed to an increase in the monetary mass of the coin, which generated inflationary pressures and a trade deficit in many provinces. (Pera , 2018 , pp. 152 – 153 )

In the economic literature, many thinkers identify two periods in the twentieth century as a beginning

1. **The first currency war**

In the period 1921-1936, the expansionary monetary policy applied by countries individually was decisive during this period, as the direct reason for using the term (currency war) was due to a series of currency depreciation operations by countries, led by France in 1925, followed by Switzerland, the Netherlands, and Belgium, followed by Britain devalued the pound sterling in 1931, while the United States devalued the dollar in 1933.

After the two world wars, a new era began for the global monetary system "Bretton Woods" in 1944. This system is based on gold and the US dollar, which worked well for nearly 30 years.

However, in 1973, due to US President Nixon's decision to disengage the dollar from gold due to the increase in the deficit in the US balance of payments, the dollar was floated. (Global implications of a US-led currency war, 2020 )

2. **The Second Coin War**

It coincided with the period 1967-1987, when it began with the problems of the sterling pound, passing through the attacks on the US dollar, and ended with the creation of the Special Drawing Rights.

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In 1999 the European Union was established and defined its financial independence in the currency (the euro), which was a direct competitor and threat to the US dollar to lead the currency market internationally. The real threat this time was not from Europe but from the shock of the Asian Tigers in 1997, resulting in the ASEAN bloc being unable to pay its debtThisich forced the (IMF) to intervene to remedy the crisis, provided that these countries pay their debregularlysis and have a greater amount of foreign reservecreatingtes a new demand for the US dollar. (The Eure in the currency war , 2014 )

### 3. Third Coin War

It is usually emphasized that the currency war in its third generation erupted with the mortgage bubble in the United States of America in the period (2007-2008). while its trading partner becomes less competitive" and was a term coined for the first time by the former Minister of Finance of Brazil (Guido Mantega) (IMFC , 2010) in the year 2010 as the competition between the United States of America and China to obtain the lowest value of the currency, i.e., the cheapest exports, which harmed Brazil because interest rates The low that was applied after the mortgage crisis in 2008, which caused liquidity to be pumped into the Brazilian economy compared to its much higher bond yields. The two poles of the global economy, America and China, in the wake of the global closure due to Covid-19 and the Russian-Ukrainian conflict (Mills, 2018, p.27)

**Table (1) The historical course of currency wars**

| Country | Currency interventions | Country | Currency interventions |
|---|---|---|---|
| **First currency war (1921-1936)** | Second currency war (1967-1987) | | |
| **Argentina** | November 1929 | Argentina | January 1969 |
| **Australia** | March 1930 March 1936 | Australia | May 1970 |
| **Brazil** | December 1929 | Brazil | September 1980 June 1984 |
| **British India** | September 1931 February 1934 | India | July 1985 |
| **Canada** | September 1931 July 1935 | Canada | February 1973 |
| **Chile** | June 1932 December 1934 | Chile | December 1983 |
| **China** | September 1929 November 1935 | China | July 1985, 1986 March 1982 |
| **France** | September 1936 | France | November 1975 |
| **Germany** | July 1931 | Germany | August 1980 |
| **Hong Kong** | October 1929 | Hong Kong | April 1970 |
| **Japan** | December 1931 August 1936 | Japan | February 1979 |
| **Mexico** | July 1931 April 1935 | Mexico | March 1982 |
| **The Soviet Union** | November 1935 March 1936 October 1936 | The Soviet Union | November 1985 |
| **Switzerland** | September 1936 | Switzerland | October 1987 |
| **The United Kingdom** | September 1931 | The United Kingdom | July 1985 |
| **The United States** | April 1933 | The United States | July 1986 |

**Source: Adapted from *Annuaire Statistique de la Societe des Nations* (1942/1944, 1990)**

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**Secondly: a currency war of another kind (Quantitative easing)**

Accusations are still being exchanged between the two poles of the global economy, America and China, about the current currency war, one side describing it as a "fair currency war" that arises to protect and preserve local markets to achieve stability and economic growth. In contrast, on the other side, it is described as an "unjust currency war" where a country is trying To enhance its competitiveness by dumping foreign exchange at the expense of trading partners worldwide. (Pera, 2018, p.158)

These wars are often classified in two ways: the first is a currency war with political motives, which was a ban, restriction, and political sanctions, and the second is purely economic, to dominate the market or global trade exchanges, as shown in Table (2) below:

**Table (2) Classification of Currency Wars**

| Contemporary currency w | | |
|---|---|---|
| ency war | of politics | ked agreement on chang ctioning of the inte currency syste egitimisation of policy aiming at curre ge rate stabilisation |
| | of economy | ng-term zero interest-r spension of currency y |
| | | Systemically overestima rate Systemically underestima rate devaluation or fast a ation of currenc |

**Source: Adapted from Dunin-Wąsowicz,P10 (2012).**

1. **The first stage is Quantitative easing, QE1**

The first stage of quantitative easing was represented by the mortgage crisis in the United States, specifically with the first measures of the Federal Reserve Bank at the beginning of the year 2008, when it purchased securities to address the bankruptcies that some banks and financial institutions were exposed to as a result of the mortgage bubble during this stage (2008-2009). The US Federal Reserve added 1,760 billion new US dollars, including 300 billion dollars spent on buying back US Treasury bonds. (Investment Company Fact Book, 2009)

2. **The second stage is Quantitative easing, QE2**

From November 2010 to June 2011, the Fed issued $900 billion to buy back US Treasury bonds. (The Myth and Mistake of Quantitative Easing, 2010)

3. **The third stage is Quantitative easing, QE3**

On September 13, 2012, the Federal Reserve Bank announced the start of the third phase, QE3, which, unlike its predecessors, did not specify the deadline for the issuance of the new currency, which implies that this phase of (printing the dollar) may extend for a longer period than its predecessors. According to the third phase, QE3, nearly 40 billion new US dollars per month were directed to purchase mortgage-backed securities (MBS) from banks. (Cho & Rhee, 2013, p.2)

4. **The fourth stage is Quantitative easing, QE4**

In 2016, the Federal Reserve again announced an additional "printing" of the US dollar, known as expanded quantitative easing(QE4 & QE3X). Not only the US economy but also the conversion of the sovereign debt of the United States into cash, and countries have always dealt with the problem of excessive debt in several different ways, including:

- ➢ Getting rid of creditors (exile, cancellation, occupation).
- ➢ Declaration of bankruptcy (partial or complete).
- ➢ Debt monetization, i.e., the intentional weakening of the issued funds so that the currency's

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purchasing power at the time of repayment of the debt is less than it is at the time of incurring the debt and thus is considered adverse to the creditors and favorable to the debtors. (Yardeni and at. el., 2023, pp.2-3)

**Thirdly: Capitalism and the market economy under Quantitative easing**

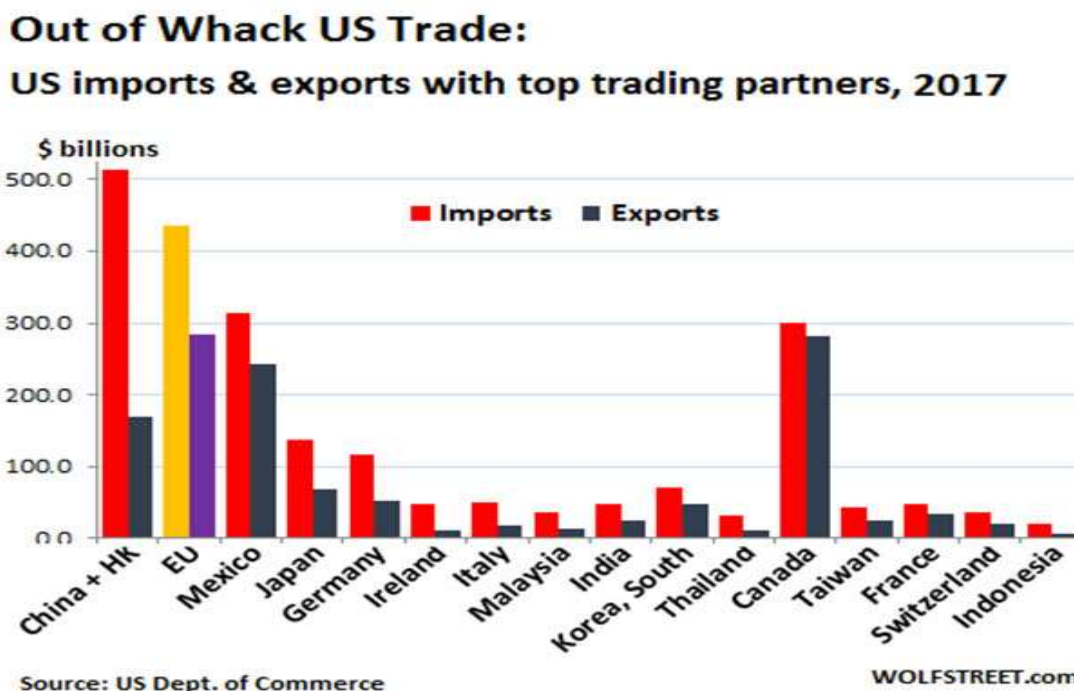
The policies of commercial freedom, the neutralization of protectionism, and the departure from interventionist policies that restore the general balance of the economy and that established capitalism has witnessed a significant decline and decline in light of financial shocks. The European Central Bank, Japan, and the Swiss National Bank, each of these countries, have justification for their economic goals. The United States of America aims to reduce the continuation of the trade deficit with China, which maintains a fixed exchange rate for several years, which reduces the yuan's value by up to 50%. Japan shares the goals of the United States, But the focus here is on supporting Japanese exporters and then liquefying sovereign debt. The Bank of England and the European Central Bank aim to support banks under its direct supervision and improve their financial position.

As a result of the preceding, the three currencies (the US dollar, the European euro, and the Chinese yuan) are almost the main players in the current currency war, as they use their economic policies with an emphasis on the size of the deliberate depletion of the local currency by applying a soft monetary policy that grants the central bank preferential loans to commercial banks and through interventions Direct central banks in formulating the monetary policy of the economy.

On the other hand, China shifted the burden of the currency war to the United States of America. Whenever the Fed issues new dollars, importers buy Chinese goods in exchange for these new dollars, which requires the People's Bank of China to print yuan to absorb cash surpluses to maintain the stability of the fixed exchange rate of the Chinese yuan against the dollar The American, (pera, 2018, p.162). It is possible to ask what China is doing with the US dollar.

According to American sources, the answer is the People's Bank of China's search for safe havens to invest its reserves and achieve satisfactory profits. China has collected a huge volume of US Treasury bonds due to the trade surplus growth, with the United States of America estimated at $3.85 trillion in 2016, including $950 billion. Americans invested in US Treasury bonds.

**Figure (1) The US trade deficit with China**



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**CHAPTER 2:- REVERSE CURRENCY WARS AND INTERNATIONAL CONFLICTS**

**Firstly: inflationary pressures in light of the closure and international conflict**

The seventies and eighties witnessed a rise in the rate of inflation in the United States of America, reaching record rates as a result of the 1973 crisis, with the use of oil as a weapon by the producing countries, in particular the oil-producing Arab countries, accompanied by the huge government spending of the United States of America to cover military expenditures, which caused prices to rise to Approximately (14%), which prompted the head of the Federal Reserve at the time (Paul Volcker) to pledge to raise interest rates significantly in order to control high inflation rates. (Makin, 1981, pp.6-7)

This strategy was applied in 1980-1981 until it reached (20%), which is the highest interest rate ever. This rise was reflected in the strength of the US dollar against major currencies by (47%), which was the starting point for the successive imbalances in the global economy.

The major countries economically were greatly affected by this policy. They did not remain idly by but rather sought to force the United States to back down and lower the dollar's value and exerted severe pressure on the US President at the time (Ronald Reagan) and under pressure from the segment of American exporters. (thorbecke, 1999, p.7)

On September 22, 1985, a meeting of finance ministers of the G5 countries*[1] was held, which resulted in the signing of the "Plaza" agreement, a metaphor for the location of the meeting, according to which the value of the US dollar was devalued by approximately (40%) for two years against the currencies of the (G5) countries from Through direct intervention in the currency markets.

In 1987, the United States of America did not want to continue devaluing the dollar, and a second agreement was signed under the name (Louvre Agreement), which emphasized the cessation of the procedures of the previous agreement that required the devaluation of the dollar and then the stability of the exchange rate.

While the global economy today, after Covid-19, at the end of the year 2019, and the Russian-Ukrainian conflict, over which a year has passed, is in a state of instability, which has accumulated from global inflation. (Frbny, 1988, p.41)

As a result of these changes, the US Federal Reserve decided to raise the interest rate through several successive steps that may extend until the middle of 2023, which led to a significant increase in the value of the dollar while not decreasing its value in the coming period in light of the Russian-Ukrainian conflict and the US sanctions package on each of the two money files. And Russian energy. (Effects of COVID-19 on trade flows, 2021)

The global financial system is witnessing a fierce struggle at the level of the leading currencies, especially with the global economy's major leaders adopting the same measures to support their currencies against inflation risks.

It is known in the economic literature that the conventional currency war "means that countries compete with each other in order to obtain a competitive advantage for their exports by devaluing the local currency."

The US-Chinese conflict under Donald Trump's term is not far off as a result of China's restriction of the appreciation of the yuan, which means that its exports to the world are at a low price, which leads to an economic boom for China with the widening trade deficit gap between the two countries, which caused the trade war and the imposition of mutual customs duties during the term of office Trump, which forced the US Treasury Department in 2019 to officially classify China as one of the largest currency manipulators (Barbero & Lucio , 2021)

At the same time, countries did not devalue their currency, which led to a rise in import prices, which stimulated the trend to local commodities, which serves the local product and stimulates economic growth as a result, as the main goal of devaluing the local currency. Therefore, all that was discussed was the traditional image of currency wars, which creates inflationary pressures, as shown in figure (2) that Britain suffers from high inflation rates at a rate of (9.0%) for the G7 countries, according to the change in the Consumer Price Index (CPI) for the period between April 2021 and April 2022 compared to (8.3%) in the United States, (7.4%) in Germany, (6.8%) in Canada, (6.0%) in Italy, (4.8%) in France, and (2.4%) in Japan.

This rise in inflation rates is due to the large surge in energy prices in light of the Russian-Ukrainian conflict and the application of a US-European sanctions package, except France, which dealt with the situation with a policy of government support. The pound depreciation did not

* Including (West Germany - France - Japan - Britain - United States of America)

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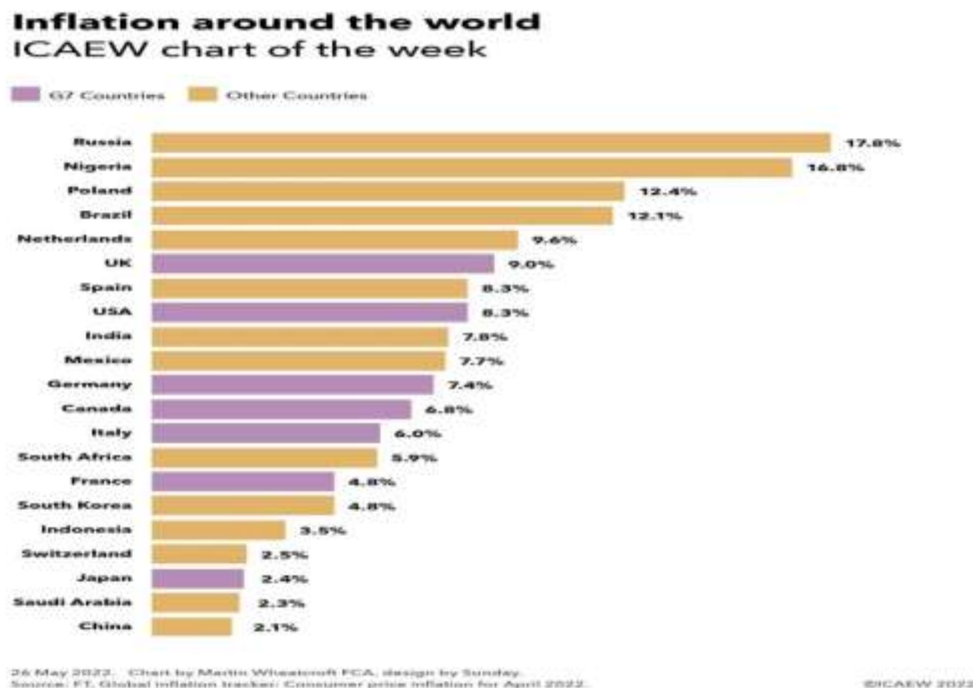
help inflation rates, which made the value of foodstuffs more expensive.

It is also noted that the Russian bear topped the inflationary position at a rate of (17.8%), followed by Nigeria at (16.8%), Poland at (12.4%), Brazil at (12.1%), the Netherlands at (9.6%), Spain at (8.3%) and India at (7.8%). %), Mexico at (7.7%), South Africa at (5.9%), South Korea (at 4.8%), Indonesia (at 3.5%), Switzerland at (2.5%), Saudi Arabia (at 2.3%), and China (at 2.1%). These inflation rates and previous years are taking an upward trend, reflecting global monetary instability (Inflation around the world, 2022).

**Figure (2) Inflation around the world 2022**




Excluded from Figure (2) above are countries that suffered from hyperinflation that almost extended its duration before the Covid-19 pandemic and the current international conflict, led by Venezuela at a rate of (222.3%), Turkey at a rate of (70%), Argentina at a rate of (58%) and Iran at a rate of (54%). ) in August of the year 2022, by the US sanctions on its nuclear program, as shown in Figure (3) (tradingeconomics, 2022).

**Figure (3) Inflation rate in the Iranian economy (Apr2022- Jan2023)**

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**Iran - Inflation rate | 1957-2023 data | 2024-2025 Forecast (tradingeconomics.com)**

The most serious thing is the threat to global food security, as the rise in food commodity prices; according to IMF data, 86 out of 109 developing countries witnessed a rise in food commodity prices for 12 months at a rate of (5%), the share of developing countries was (79 %) compared to (27%) for developing countries that are more immune to the rise in food commodity prices.

The most prominent and widespread feature is almost simultaneous inflation with the absence of global policy options to resolve supply chain disruptions, which makes the treatment specific to major central banks.

Will these treatments be palatable for emerging and developing countries, or will they deepen their sovereign debt as a result of the additional costs as a result of the recent policies adopted by the US Federal Reserve, with an emphasis on "addressing the problem at the beginning to prevent its exacerbation." (Reinhart at. el., 2022)

**Secondly: the financial consequences of the Russian-Ukrainian war**

On February 24 of the last year, 2022, the Russian war on Ukraine began after a long mobilization on the Russian-Ukrainian border. This intervention was met with an American-European response by imposing sanctions that included Russian dignitaries, led by Russian President Vladimir Putin and his Foreign Minister Sergey Lavrov, and business people linked to the Kremlin. Similar to the former English club president Roman Abramovich with about 351 members of the Russian State Duma, the implementation of a ban in the *[2] Swift (global economic prospects, 2021) system for Russian and Belarusian banks by preventing 7 Russian banks and 3 Belarusian banks from making or receiving international payments using the Swift system from For its part, the United States targeted, with its sanctions, 200 individuals, entities, and dozens of Russian financial institutions, coinciding with the passage of one year since the Russian intervention in Ukraine. Trillion US dollars With its efforts to restrict Russian exports, the United States will include nearly 90 Russian companies and companies in cooperating countries from Ha China for its participation in evading the first package of sanctions to support the Russian defense sector. (The Return of Global Inflation, 2022)

Notably, the first package of US sanctions focused on cutting off the Russian financial and banking system from the global system, tightening the screws on Russian dignitaries, and prioritizing the energy file, as exchanges between Russia and the United States amount to about 10%. In comparison, the European Union accounts for about 50% of exchanges in the field of gas. Russian supplier via Nord Stream 1. (Desilver, 2021)

Russia did not stand idly by in the face of losing its ability to access the dollar and the euro due to the double sanctions from America and the European Union. The alternative was its tendency to conclude deals with friendly countries such as China, India, and Turkey, close to Saudi Arabia, which recently joined (European sanctions on Russian interference, 2022).

This was confirmed by the Russian Central Bank in its latest report on its monetary policy for the period (2023-2025), which focuses on supplying the National Wealth Fund, which amounts to about $155 billion, with the currencies of the aforementioned friendly countries.

Notably, the Russian ruble occupied a significant position in the trade exchange between Russia and its partners. In 2021, (35.4%) of all payments from India to Russia were settled in rubles, while the dollar accounted for (38.3%) only, and the Chinese yuan accounted for a third of the settlement of payments from China. To Russia in the year 2021, and within only three months from the outbreak of the war until the end of May, Russia reaped $24 billion worth of energy sales to China and India, an increase of $13 billion compared to 2021.

The volume of trade exchange between Russia and the BRICS group increased to (38%), reaching $45 billion in the first quarter of 2022, which came as a result of Russia's decision to pay Russian energy-importing countries in Russian rubles.

The National Wealth Fund is managed by the Ministry of Finance and is part of the international reserves of the Russian Central Bank, which also includes the yuan, amounting to 640 billion dollars. However, half of it is frozen due to the double sanctions of the United States and the European Union.

**Thirdly : the current scenario of the reverse currency war**

The goal of the reverse currency war is to strengthen the currency and not focus on stimulating economic growth but seek to neutralize inflation rates. The United States of America took the first step with the decision to raise the interest rate in order to impose the dominance of the dollar on the rest of the currencies during the first half of 2022, as the value of the dollar increased by (7%) compared to other leading currencies. (Harris and al. et , 2022)

*It is a messaging service that greatly facilitates the exchange of information between banks and financial institutions around the world, as it connects more than (11) thousand financial entities around the world.

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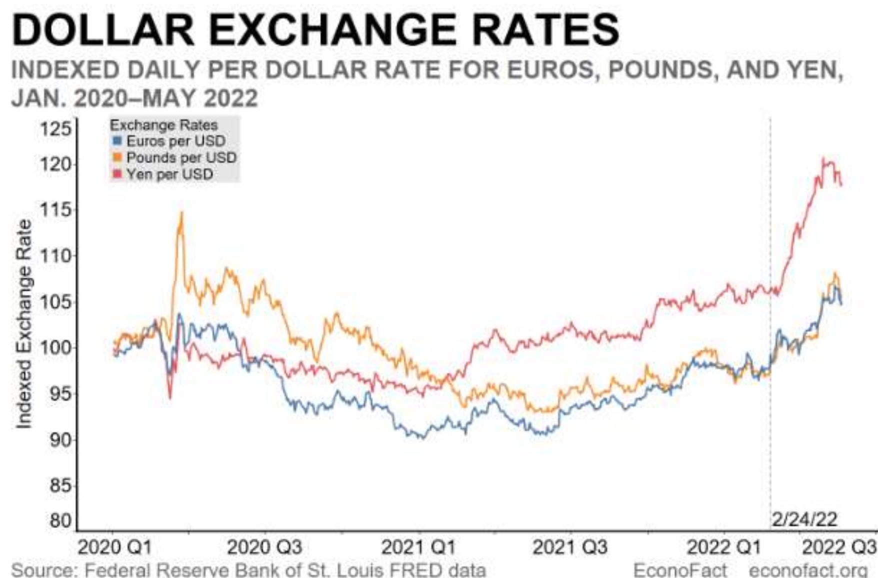
**Figure (4) The dollar exchange rate for the period 2020-2022**




That countries with large economies do not officially declare that they will raise the value of their currency in order to avoid a direct clash with the rest of the economies, as it is interpreted as a manipulation of the value of the currency, and this is what the United States of America took after the decline of Covid-19, which led to the annoyance of many members of the (G20), which prompted The US Treasury Secretary (Gantt Yellen) declared on May 18 from Germany that the rise in the value of the dollar is a source of concern for the rest of the countries and that the United States of America is committed to the exchange rate determined by the supply and demand mechanism in the markets. The Federal Bank confirmed on more than one occasion that raising the interest rate neutralized inflation rates, and the goal was not to raise the dollar's value.

Some of the main reasons for the high inflation rates are "external" or what is known as "imported inflation" due to the rise in global food and energy prices, the conflict between Russia and Ukraine, the Chinese closure again due to the Covid-19 variants, the global shortage of semiconductors, the disruptions of some supply chains, and thus the rise in prices—internationally imported goods.

This matter continues to fuel imported inflation rates internally, and one of the solutions here is to raise the value of the local currency to reduce the value of imports. That is, a stronger currency means relatively cheaper imports, thus neutralizing inflation and strengthening the purchasing power of local citizens. (Cox, 2023)

Is the only solution represented by raising the currency's value, and is it worth entering into conflicts and international currency wars? In financial literature, there is an indicator known as (Pass-through rate). This indicator determines how the currency's strength, for example, the US dollar affects the inflation rate.

Most studies indicated that the effect of this indicator was limited in normal conditions. However, when the rate of this indicator is high, most economists point to the strength of this indicator when it coincides with large rises in inflation rates, as is the case now, according to Nathan Sheets, chief economist at Citi Group, who previously worked at the Treasury Department and the Federal Bank of the United States of America, says, "In an era of rampant inflation, the traffic rate indicator is of great benefit. The dollar's rise by (10%) could have reduced inflation rates by about (0.5%), but now it is possible to reduce by (1%) the rate of inflation." With this measure, countries rushed through their central banks to take several measures to combat inflation. The President of the Swiss Central Bank (Thomas Corden) stated that he is working to strengthen the Swiss currency by supporting and neutralizing inflation, as he did on June 16 of the current year, by raising the interest rate for the first time in 15 years. The result was an increase in the currency's value, not at a level compared to 7 previous years, after

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which Britain took the same measure to support the pound sterling, and then Canada through its central banks on June 1 of the year. The current situation raised the value of the pound and the Canadian dollar, with these countries declaring the possibility of continuing the policy of raising interest rates. (Exchange rate pass-through in the global economy, 2020)

These policies aroused the ire of senior officials of the European Central Bank about the risks of the euro's weakness against the US dollar, meaning that the weakness of the euro's value makes the value of imported commodities in dollars, such as oil, more expensive. The outcome is raising inflation rates in the European Union countries to record levels in light of the Russian-Ukrainian conflict and the package Sanctions imposed by the United States of America.

Monetary policymakers at the European Central Bank also stated that they would support the decision to raise the interest rate at the next meeting on July 21 of this year by (0.25%) for the first time in more than 10 years in order to control high inflation rates and support the value of the euro against the US dollar.

The most affected by the currency war is the exporters segment, led by the exporting companies in the United States of America, as well as the companies that depend mainly on their foreign sales and whose final profits are greatly affected for two reasons (Brahmbhatt and al. et., 2010, p.34).

The first is that the strong dollar reduces the value of their foreign profits when they are converted into dollars again. The second is that it makes their sales in international markets less competitive because they have become expensive, and this will reduce the demand for them.

Nearly (35%) of US companies depend on foreign profits, so the strong dollar has materially dominated US stocks.

The largest technology companies in the United States of America are also affected since a third of their sales are outside. For example, Microsoft shares the rise in the dollar's value, affecting its sales. The same is the case with the biotechnology company (Biogen) (Egert, 2007, pp. 387- 413) and the retail giant (Costco) ...Etc.

The question here is, what is the reason? The answer is that there is an important and more important one. The interest of exporters is important, but the most important thing is to support the purchasing power of the largest segment of citizens due to the high cost of most commodities globally.

In light of this raging struggle for currencies, what is the position of the emerging and developing countries, and do they have the ability to confront the financial and monetary measures of the advanced economies?

The answer here is that emerging economies are the most affected by the reverse currency war due to the indebtedness in the leading currencies that these countries will be at the mercy of (currency mismatch), which may throw these countries at risk of bankruptcy in the future. The Lebanon model is close, and so is the case with the governments of developing countries.

## CONCLUSIONS

1. International conflicts create a state of political and financial instability, which is reflected in the value of the leading currencies and trade exchange, for example, the Russian-Ukrainian war.
2. The emerging economies are the most affected by the reverse currency war due to the indebtedness in the leading currencies, as these countries will be at the mercy of the currency mismatch.
3. Russia and the countries of the European Union had the largest share of the rise in inflation rates.
4. Russia's tendency to find financial transactions away from the dollar in light of the restrictions imposed by the Swift system, foremost of which are relations with China, India, and countries in the Middle East.
5. According to IMF data, 86 out of 109 developing countries witnessed a rise in the prices of food commodities for 12 months at a rate of (5%). The share of developing countries was (79%) compared to (27%) for developing countries that are more fortified than The rise in food commodity prices.

## RECOMMENDATIONS

1. Serious endeavor by emerging and developing countries, especially the rentier countries, to find an economical and monetary bloc that would enhance its weight in international economic relations.
2. Going to the language of dialogue between the poles of the international conflict to ensure a state of economic stability that reduces the negative effects on the economies of developing countries.
3. The need to devote efforts to international institutions to control inflationary pressures, whose impact is not limited to developed countries only but also extends to emerging and developed countries.
4. The solution lies in addressing the global political and economic instability by addressing the problem in its

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infancy since postponing discussion and dialogue leads to its exacerbation and extending its effects with time.
5. Developing and rentier countries, in particular, must strive to diversify the resources of their economies, as recent conflicts have demonstrated the real trend by developed countries to turn to low-cost alternative energy.

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