

RESEARCH ARTICLE 

Petrodollars, Power, and Geopolitics: Why the U.S. Strategically Targets Oil-Rich States and Strategic Territories- A Case Study of Venezuela and the Global Oil-Dollar Nexus

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Abstract

Since the breakdown of the Bretton Woods system, the petrodollar arrangement has remained an important feature of the global political economy, positioning the U.S. dollar as the primary currency for international oil trade. Rather than treating the petrodollar as a neutral outcome of market forces, this paper considers it as a structural mechanism that supports U.S. geo-economic power. Using an International Political Economy framework and drawing on case evidence from Venezuela, Iran, and Russia, the study examines how dollar dominance contributes to the United States' financial capacity and military reach, while also enabling the use of sanctions and financial restrictions as policy tools. The findings indicate that efforts to shift away from dollar-denominated oil transactions are frequently followed by heightened economic and diplomatic pressure. Despite growing initiatives aimed at reducing dependence on the dollar, the scale and institutional strength of the U.S. financial system continue to sustain the stability of the petrodollar arrangement. In the Indian context, this structure constrains energy security and strategic autonomy, increasing exposure to external financial shocks and sanction-related risks.

Keywords: Petrodollar system, US dollar hegemony, Geo-economics, Oil and energy politics, Sanctions and financial power, De-dollarization, Venezuela, India.

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1. Introduction

The petrodollar system is more than just a payment method; it is actually a central pillar of the modern global political economy. To understand it, we have to look at the structural crisis of the early 1970s and the end of the Bretton Woods gold standard. When the United States cut the tie between the dollar and gold in 1971, the dollar became a fiat currency. Suddenly, Washington faced a serious problem: without a metallic anchor, how could they ensure global demand for the dollar? The solution was to tether the dollar to energy instead. In the mid-1970s, the U.S. made a series of strategic agreements, mostly with Saudi Arabia and OPEC. The deal was simple: the U.S. guaranteed military protection and regime stability, and in return, oil could only be priced in dollars. As Basosi (2020) notes, this effectively forced any nation importing energy to keep a steady supply of U.S. currency, regardless of their own trade situation. This setup triggered a cycle known as 'petrodollar recycling.' Oil exporters ended up with massive surpluses of dollars, which they then pumped back into the U.S. economy—specifically into Treasuries, real estate, and financial markets. This capital loop gave the United States what is often called an 'exorbitant privilege.' It allowed the U.S. to fund ongoing deficits, maintain a global military, and borrow money cheaply without facing the strict balance-of-payments limits that restrict other countries (Clark, 2005; Eichengreen, 2011).

Table 1: Series of Events in Chronological order

Year	Event	Geopolitical Significance
1971	Nixon Shock	End of Gold Standard; Dollar becomes fiat.
1973	Oil Crisis	Price of oil quadruples; demand for currency spikes.
1974	U.S.-Saudi Agreement	Saudi Arabia agrees to price oil in USD in exchange for security.
1979	US-Iran Freeze	First major use of dollar system to freeze assets (Iranian Revolution).
2019	Venezuela Sanctions	Total blockade of PDVSA, cutting Venezuela off from SWIFT/Dollar markets.
2023	Rise of Petro-Yuan	China and Saudi Arabia discuss settling oil trade in RMB.

Source: Compiled by Author

Over time, the U.S. dollar has transformed into more than just a currency; it has become a genuine tool of statecraft. Because the global energy trade relies so heavily on dollar-clearing networks and infrastructure like SWIFT, the United States

holds significant sway over international finance. This position allows Washington to project power through sanctions—essentially freezing assets and blocking market access—which isolates adversaries effectively without the need for military force (Farrell & Newman, 2019).

But this dominance is not going unchallenged. We are seeing major oil producers shifting away from the dollar, turning instead to the Euro, the Yuan, or bilateral currencies. This trend threatens to weaken the demand that keeps U.S. fiscal solvency afloat. Venezuela is a prime example of this conflict. Despite having massive oil reserves, Caracas faced severe U.S. sanctions and had to pivot to non-dollar payments just to keep its economy running and maintain some political independence. From Washington's view, this wasn't just an economic adjustment; it was a systemic threat setting a risky precedent. The harsh U.S. response, including asset seizures and export embargoes, highlights exactly how costly it is to try and leave the dollar's orbit. In the end, the 'petrodollar nexus' ties together energy, finance, and military power, meaning any attempt to break away is seen as a direct challenge to the global order led by the U.S.

1.1 Theoretical Framework: Oil, Currency, and Power in International Relations

When viewed through the lens of classical and neorealism, the petrodollar is less a currency mechanism and more a strategic asset of statecraft, comparable to military hardware. Because the international system lacks a central authority, the U.S. utilizes dollar-denominated oil trade to maximize its security and constrain rivals. In this context, Venezuela's push for de-dollarization is not merely an economic policy shift but a direct challenge to American power distribution. Accordingly, sanctions are rationalized as 'balancing' measures designed to neutralize a threat to U.S. hegemony. Structural realism deepens this analysis by emphasizing that these outcomes are dictated by the system itself. Post-WWII American primacy created a structure where deviations—like Venezuela's—are automatically punished by systemic constraints such as capital flight and financial exclusion, regardless of domestic political intentions.

Liberal institutionalism offers a nuanced counterpoint, suggesting that this dominance is maintained through interdependence and global banking rules rather than brute force. However, Venezuela's isolation reveals the 'weaponized' side of

interdependence: international institutions are not neutral arbiters but gatekeepers that enforce conformity to U.S. interests. Similarly, Neo-Gramscian IPE views the petrodollar as a hegemonic order sustained by both material power and the ideological normalization of the dollar. By framing the dollar as the only ‘stable’ option, the U.S. delegitimizes alternatives. Therefore, Venezuela’s counter-hegemonic challenge invites a harsh response because it threatens the ideological consensus that underpins U.S. authority.

Table 2: View of Petrodollar

Theory	View of Petrodollar	Interpretation of U.S. Sanctions
Neorealism	Strategic Asset (Power)	A ‘balancing’ act to constrain a rival state.
Liberalism	Institutional Rule	‘Weaponized Interdependence’ via gatekeeping.
Neo-Gramscian	Hegemonic Consensus	Policing the ideological norm; punishing dissent.
Dependency	Extraction Mechanism	Enforcing the Core-Periphery resource trap.
Constructivism	Social Reality	Delegitimizing the political identity of the challenger.
Realism	Security Imperative	Maintaining sphere of influence; ensuring access.

Source: Compiled by Author

Finally, dependency theory and constructivism highlight the structural and social rigidity of the system. The petrodollar reinforces the core-periphery divide, ensuring that resource wealth from the ‘South’ (Venezuela) is funneled back into the financial ‘North’ (U.S.). Breaking this cycle triggers economic instability, reproducing underdevelopment. Constructivism adds that the dollar’s power is also social; because the world *believes* in the dollar’s necessity, Venezuela’s rejection of it is framed as irrational, limiting its political legitimacy. Synthesizing these views, the petrodollar system is revealed as a multi-dimensional lock on global power. It ties energy to finance and finance to national security. The severity of the U.S. response to Venezuela confirms that in the modern geopolitical landscape, control over the currency of energy is treated with the same gravity as territorial defence.

1.2 The Petrodollar System and U.S. Geoeconomic Power

1.2.1 The Origins of the Petrodollar

The breakdown of the Bretton Woods order gave rise to the current petrodollar system. By 1971, the U.S. was in a bind. The Vietnam War was bleeding money, domestic

spending kept climbing, and the whole system was cracking under pressure. So, the government did something radical: it cut the dollar loose from gold. Suddenly, the dollar was not backed by anything tangible anymore it was just paper, a promise. And that freaked people out. Global trade needed something stable to run on, but now there was no gold guarantee. How could anyone trust the dollar would keep its value as the world's main currency?

To prevent a collapse in confidence, Washington pivoted from gold to ‘black gold.’ In the mid-1970s, the U.S. leveraged its military and financial power to strike a series of deals, starting with Saudi Arabia and expanding to other OPEC nations. It was a brilliant geopolitical move. Oil-producing countries agreed to a simple deal: price and sell all their oil in U.S. dollars. In exchange, America would give them access to its financial markets, sell them weapons, and protect them militarily. Here is why it mattered: oil runs the modern world. You need it for trucks, planes, tractors, factories basically everything. So, if you want oil, you need dollars. Suddenly, every country on earth had to keep piles of American currency on hand, just to keep their economies running. The genius part was that it locked in permanent global demand for the dollar, no matter how well or poorly the U.S. economy was actually doing.

1.2.2 Economic Consequences: The Recycling Mechanism

This setup created something called ‘petrodollar recycling,’ and it became incredibly powerful. Oil-exporting countries were raking in way more dollars than they could possibly spend at home. So, what did they do with all that cash? They put it back into U.S. investments—mostly government bonds—to earn returns. Think about what this meant in practice. Before, the U.S. government needed Americans to save their paychecks so it could borrow that money for spending. But now? Oil-rich countries had billions sitting around with nowhere to go, and they needed somewhere safe to put it. The U.S. Treasury became the world's piggy bank. Suddenly Washington had a blank check. Military bases overseas? Fund them. Medicare expansion? Done. Crumbling bridges? Fix them. Other countries would've seen their currencies tank and prices skyrocket if they tried spending like this. But America? Business as usual.

The ripple effect was even bigger. Central banks from Tokyo to Frankfurt started stuffing their vaults with dollars—not because they had to buy oil tomorrow, but because when your economy hits a rough patch, you want dollars on hand. It

became almost instinctive. Crisis hits? Grab dollars. Currency wobbles? Dollars. The dollar wasn't just a currency anymore—it was financial insurance.

1.2.3 The 'Exorbitant Privilege' and Fiscal Freedom

The advantage this gave America was massive—almost unfair, really. Economists even gave it a name: 'exorbitant privilege.' Because everyone needed dollars to buy oil, not just to trade with the U.S., demand for the currency stayed sky-high no matter what. Foreign governments and investors saw American debt as the safest bet on the planet, which meant the U.S. could borrow money dirt cheap. Here is how it played out: all this foreign money flooding into U.S. Treasury bonds pushed interest rates down. Way down. That made mortgages cheaper, credit cards more accessible, stock markets boomed. Americans were spending and investing like never before.

But the real magic trick? The U.S. could afford to do two wildly expensive things at once—things that should've been financially impossible. On one hand, maintain hundreds of military bases across the globe, aircraft carriers cruising every ocean, troops stationed on multiple continents. On the other hand, fund Social Security, Medicare, highway systems, you name it. Without all that foreign cash propping things up, something would've had to give. Either taxes would have shot through the roof, or the government would've had to slash spending dramatically. Pick your poison: angry taxpayers or collapsing public services. But thanks to the petrodollar system, America didn't have to choose.

1.2.4 Weaponization of Finance

The petrodollar evolved into more than just an economic standard; it became a potent lever of statecraft. Because most of the international energy trade relies on dollar-clearing systems controlled by the U.S., Washington found it could effectively weaponize access to global banking. With no other currency offering comparable liquidity or scale, American sanctions such as SWIFT expulsions or asset freezes landed with devastating precision. We see the results clearly in cases like Venezuela and Iran: once cut off from the dollar, these nations were essentially exiled from the global marketplace. This turned the dollar into a weapon. The U.S. could now pressure other countries—even punish them—without ever sending in troops. So, when an oil-producing country decided to sell its oil in euros, yuan, or anything other

than dollars? That wasn't just seen as a business move anymore. To Washington, it was a direct challenge to American power.

1.2.5 Grand Strategy and Military Synergy

In the end, the petrodollar is a cornerstone of American grand strategy since it establishes a direct connection between military might and economic stability. The system produces a self-reinforcing loop in which the oil trade sustains the dollar, which funds the military, while U.S. military might secure international oil trade routes and safeguards important producers.

Oil states' demand for U.S. Treasury bonds keeps interest rates low, which makes borrowing money affordable. The U.S. armed forces are thus indirectly supported by the global energy market. This explains why financial competition, like attempts to trade oil in yuan or other currencies, is viewed as a threat to national security by the United States. Not only would a move away from the dollar harm the US economy, but it would also jeopardize the way the US finances its extensive military presence around the world. In sum, the petrodollar is not just a currency arrangement—it is the operating system of American hegemony. It binds global finance, energy security, and military power into a single structure where U.S. leadership is reinforced by the very mechanics of global trade.

1.2.6 De-Dollarization and the Challenge to the Petrodollar System

The global political economy is witnessing a gradual but distinct shift toward de-dollarization, a trend defined by state-level efforts to decouple trade settlements, reserves, and transactions from the U.S. dollar. This movement is not driven merely by anti-American ideology; fundamentally, it is a pragmatic reaction to the vulnerabilities inherent in dollar centrality. Here's the problem countries face: because the dollar runs global trade—especially oil—everyone's economy gets jerked around whenever the U.S. makes a move. The Federal Reserve hikes interest rates? Countries halfway around the world feel it. Washington has a political spat with someone? Sanctions fly, and suddenly entire economies are scrambling. It has gotten worse as America's turned the dollar into a weapon. Financial sanctions used to be rare; now they're routine. So, countries aren't trying to burn down the system overnight—they're just looking for ways to protect themselves from getting whipsawed by decisions made in Washington (IMF, 2022; BIS, 2023). And, that brings us back to oil. The

petrodollar system is the linchpin of the whole setup. Oil is still the most important commodity on earth, and as long as it's priced in dollars, everyone needs dollars. Period. So if you want to actually weaken dollar dominance, you can't just tinker around the edges—you need to change how energy gets bought and sold.

That's why China, Russia, Iran, and Venezuela are experimenting with alternatives—selling oil in yuan, settling trades in rubles, that sort of thing. But here's the catch: even when they make these deals, the practical machinery of global trade still runs on dollars. The shipping companies financing those tankers? Dollar loans. The insurance covering those cargoes? Dollar-denominated. The banks clearing those transactions? Dollar systems. You can't just flip a switch and change all that overnight. Within the BRICS bloc, skepticism toward the status quo has fueled dialogue on local currencies and alternative institutions. But here is the weird thing: despite all their talk, BRICS countries have barely made a dent in dollar dominance. They have got massive populations and tons of resources, but they are moving at a snail's pace. Why? The dollar is just too convenient. It is stable, everyone accepts it, and you can move huge amounts of it around instantly. No alternative comes close to matching that yet. So, there is this huge gap between the bold political speeches and what is happening in the real world (UNCTAD, 2021; RBI, 2022).

China's the one that could pull this off. They are the world's biggest oil importer, so they are desperate to break free from dollar dependence. Their yuan-based oil futures market was a serious move, but the yuan still has major handicaps—China controls how money flows in and out of the country, and their bond markets aren't mature enough yet. Here is the thing: you cannot just replace the petrodollar with a few trade deals. You need a whole financial ecosystem that can handle trillions of dollars flowing around seamlessly. Right now, only the U.S. has that. For Washington, this is not just an economic issue, it is existential. The petrodollar system lets America borrow cheaply and fund its military empire. If that system cracks, borrowing gets more expensive and sanctions lose their bite. That is why the U.S. guards this advantage so fiercely, using every tool it has—diplomatic pressure, financial muscle, you name it.

The bottom line? The petrodollar is not going away anytime soon, but it is not the only game in town anymore. We are heading toward a world where the dollar is still king, but other currencies and regional payment systems are gaining ground. It will not be a smooth transition; there will be plenty of tension along the way. After all, the

fight over which currencies dominate global trade is really a fight over who holds power in the world.

2. Research Problem Statement

The dominance of the United States in the modern global order is inextricably linked to the convergence of finance and energy, most clearly manifested in the petrodollar system. While the dollar's role as the supreme reserve currency is well-documented, scholarship has often overlooked how dollar-denominated energy markets function as instruments of political containment and geo-economic leverage. History shows that oil-exporting nations attempting to bypass the dollar often face severe punitive measures, ranging from diplomatic isolation to economic sanctions. Venezuela serves as a critical case study of this dynamic, illustrating the friction between sovereign currency choices and external intervention. Furthermore, the downstream effects of this system on emerging importers like India remain under-analyzed. This research aims to fill that void by examining how the petrodollar system intertwines with U.S. geopolitical strategy to shape the current distribution of global power.

2.1 Research Questions

Primary Research Question:

1. How does the petrodollar system function as a source of U.S. geoeconomic and geopolitical power in the contemporary international system?

Secondary Research Question:

1. What historical and structural mechanisms sustain dollar dominance in global oil trade?
2. Why do oil-producing states that challenge dollar-denominated energy transactions face heightened U.S. pressure?
3. How does the case of Venezuela illustrate the link between oil, currency politics, and sanctions?
4. To what extent do de-dollarization efforts challenge the stability of the petrodollar system?

5. What are the implications of petrodollar dominance and its potential erosion for India's energy security and strategic autonomy?

2.2 Significance of the Study

The significance of this research lies in its synthesis of energy geopolitics and monetary theory, bridging a critical gap in the fields of International Relations and International Political Economy. By challenging the traditional separation of oil markets and currency hierarchies, this study demonstrates that these sectors are functionally inseparable. Through the lens of the Venezuelan crisis, the analysis re-conceptualizes financial sanctions not merely as punitive diplomatic tools, but as instruments of structural power that enforce hegemonic order. Furthermore, the research privileges a Global South perspective, highlighting the systemic constraints placed on emerging economies. This is particularly relevant for nations like India, which must navigate the friction between rising energy needs and the vulnerabilities of a dollar-denominated trading system. Ultimately, these findings offer essential policy insights into the nature of strategic autonomy, revealing how states attempt to maneuver within a global order that is increasingly multipolar in politics yet remains unipolar in finance.

2.3 Thesis Statement

This study suggests that the petrodollar system goes beyond being just a financial mechanism for oil trade; it serves as a key foundation for U.S. geoeconomic and geopolitical influence. By maintaining global demand for the U.S. dollar and allowing effective financial pressure through sanctions, the petrodollar system strengthens American strategic leadership. The case of Venezuela shows how challenges to oil trade conducted in U.S. dollars lead to increased external pressure, while current efforts to move away from the dollar highlight both the weaknesses and strength of the current system. For countries like India that import a lot of energy, these trends limit their strategic independence and influence their foreign policy decisions, emphasizing the lasting importance of oil and currency politics in today's international system.

Literature Review:

3.1 The Origins and Maintenance of Dollar Hegemony

Post-Bretton Woods scholarship, especially the work of Spiro (1999) and Wight (2021), questions the idea that U.S. dollar dominance was just a random outcome after the Nixon Shock. Instead, these authors present the petrodollar system as a deliberate choice. By securing exclusive dollar-denomination for oil trade, particularly with Saudi Arabia, the U.S. ensured constant demand for its currency and helped funnel petrodollar surpluses into American debt markets. While this literature clearly describes the historical development of this system, it provides little insight into how it is enforced today, especially how the U.S. protects this situation from modern challenges.

3.2 The Intersection of Energy and Geopolitical Strategy

The link between hydrocarbon wealth and external intervention is well-known. Yergin (2011) and Klare (2008) argue that the need for energy security turns oil-producing areas into battlegrounds for great power competition. Political economists build on this idea, seeing oil not just as a product but as a tool for geopolitical power. However, there is a major gap in this discussion: while the physical control of oil gets a lot of attention, the currency used in oil trade is often seen as a minor detail. As a result, current theories of intervention frequently miss how challenges to dollar-based trade can trigger conflict.

3.3 Weaponized Interdependence and Financial Statecraft

Farrell and Newman (2019) describe ‘weaponized interdependence’ to show how being central in financial networks lets states pressure their rivals without using military force. McDowell (2023) expands on this idea, proving that U.S. sanctions are powerful mainly because the dollar is everywhere in global clearing systems. Case studies of Iran, Russia, and Venezuela show that being shut out from this system weakens state capacity. However, the current literature mostly views these sanctions as aggressive tools of foreign policy, overlooking their role as defensive measures meant to protect the petrodollar system from major changes.

3.4 The Limits of De-Dollarization

Recent discussions about de-dollarization have focused on BRICS-led efforts and the global use of the renminbi. Scholars agree that the financial order is changing; however, there is still no agreement on whether a multipolar monetary system can work. One major issue in this debate is the underestimation of the energy sector's rigidity. While research often points to energy trade as a way to diversify currencies, it often overlooks the significant institutional resistance and geopolitical risks that keep the dollar dominant in oil markets. This makes the transition much more complicated than it may seem from simple bilateral agreements.

3.5 Reframing the Venezuelan Crisis

The academic view on Venezuela mainly highlights three issues: authoritarian governance, humanitarian collapse, and the effects of sanctions. While these factors are important for understanding Venezuela's situation, most studies miss a crucial piece: the politics of currency. Traditional international relations research has focused heavily on local mismanagement, but it's overlooked how Venezuela actively tries to avoid using the dollar for transactions. This gap has left out a key reason why U.S. pressure on the country has been intensifying.

3.6 India and the Global South: From Rule-Takers to Strategic Actors

Scholars from the Global South highlights the structural weaknesses in a dollar-based energy market. In India, the emphasis has mainly been on the downstream effects, such as exchange rate fluctuations, imported inflation, and energy insecurity. However, the common narrative often portrays India and other emerging economies as passive 'rule-takers' responding to outside shocks. There is a lack of research that views India as a strategic player trying to navigate and possibly change the geopolitical limitations of the petrodollar system.

3.7 Identified Research Gap

While substantial research exists regarding oil geopolitics, dollar hegemony, and sanctions regimes, the current body of literature exhibits three critical lacunae:

- 1. Everything is studied in silos:**

Most research treats oil markets, monetary policy, and sanctions as separate

topics. Nobody is really connecting the dots to show how the petrodollar system actually functions as a strategic tool for U.S. economic power.

2. Missing the currency angle:

We know a lot about how sanctions hurt people and destabilize governments in oil-rich countries. But there's surprisingly little focus on what might actually trigger these interventions in the first place: when countries try to move away from using the dollar for oil trade.

- 3. It is always just a two-player game:** The conversation usually revolves around the U.S. (the enforcer) and the target country (like Venezuela or Iran). But what about everyone else? Major developing countries like India get caught in the middle—they desperately need energy, but they are also locked into the dollar system and pressured to follow sanctions. This squeeze on emerging economies barely gets talked about.

4. Methodology:

This study uses a mixed-method research design that mainly focuses on qualitative aspects to examine the petrodollar system, U.S. geo-economic power, and their effects on oil-exporting states and major oil importers like India. Because of the structural and historical aspects of the petrodollar system, the research takes a descriptive and analytical approach to explore the cause-and-effect relationships between oil trade, currency dominance, sanctions, and geopolitical behavior. The analysis utilizes relevant theoretical frameworks and selected case studies, backed by secondary quantitative data to build a complete understanding of the global oil-dollar relationship.

4.1 Theoretical Framework

The study is grounded in International Political Economy (IPE) and draws upon:

- a. Hegemonic Stability Theory (to explain dollar dominance),
- b. Realist and Neo-realist approaches (power and coercion),
- c. Marxist political economy (capital, surplus recycling, and imperial structures),
- d. Geoeconomics (use of economic instruments for strategic ends).

4.2 Method of Analysis

4.2.1 Qualitative Content and Discourse Analysis

Official policy documents, sanction statements, energy agreements, and financial regulations issued by the United States, OPEC, IMF, World Bank, and national governments are analyzed to identify:

- a. Narratives surrounding dollar dominance,
- b. Justifications for sanctions and interventions,
- c. Policy shifts related to currency use in oil trade.

4.2.2 Comparative Case Study Method

- a. Venezuela as a primary case of currency defiance and coercive response,
- b. Iran and Russia as supporting comparative cases,
- c. India as a major oil importer affected by petrodollar dynamics.

4.3 Data Sources

The research relies exclusively on credible and authoritative secondary sources, including:

- a. Academic journals (e.g., *Review of International Political Economy*, *World Economy*, *International Security*),
- b. Books by established scholars in IPE and IR,
- c. Official reports from the IMF, World Bank, BIS, EIA, OPEC, and UNCTAD,
- d. Government publications from the U.S. Treasury and Federal Reserve,
- e. Policy briefs from recognized think tanks (e.g., Brookings, Chatham House).
- f. Only verifiable and peer-reviewed sources are used to ensure academic rigor.

4.4 Scope and Limitations

The study is limited to:

- a. The post-1970s period following the collapse of the Bretton Woods system,
- b. State-level analysis rather than firm-level behavior,

- c. Secondary data due to restricted access to classified financial agreements.

5. Conclusion

The petrodollar system is a purposeful geopolitical framework that supports American economic dominance rather than a neutral byproduct of international markets. Following the collapse of Bretton Woods, the United States guaranteed a sustained demand for its currency and debt by tying the world's oil trade to the dollar. The 'exorbitant privilege' of financing enormous budget deficits and international military operations without the balance-of-payments restrictions that limit other countries was secured by this arrangement. This dominance serves as a control mechanism that goes beyond basic economics. The United States can turn its pivotal role in banking into coercive power because it controls the infrastructure and clearing systems of international finance. As demonstrated by the sanction's campaigns against Russia, Iran, and Venezuela, financial channels have changed from being a means of trade to becoming tools of statecraft that punish countries that try to upset the status quo.

The extreme costs of attempting to break this pattern are exemplified by Venezuela. The nation's exclusion from dollar-based markets acted as a force multiplier, effectively isolating it from the global capital needed for recovery, even though internal mismanagement unquestionably contributed to its crisis. This draws attention to a harsh reality for states with abundant natural resources: maintaining sovereignty is frequently dependent on staying in the financial sphere of the United States. Lastly, although efforts such as contracts denominated in yuan indicate a desire for change, the dollar's dominance has not yet been challenged. The greenback remains dominant largely because there is no alternative currency with enough liquidity to handle the sheer volume of global energy trade. For importers like India, this results in a persistent vulnerability to U.S. monetary policy and sanction regimes, proving that true strategic autonomy is difficult to achieve within such an asymmetric financial order.

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