香港中文大學
The Chinese University of Hong Kong

劉佐德全球經濟及金融研究所
Lau Chor Tak Institute of Global Economics and Finance

Lecture on
"The Liquidity Paradox: Geopolitical Risk and De-dollarization"

by Professor Wing Hong Chan

Professor, Wilfrid Laurier University

Date: **11 August 2026 (Tuesday)**

Time: **11:00 am – 12:15 pm**

Venue: **Room 301,
3/F, Wu Ho Man Yuen Building,
The Chinese University of Hong Kong,
12 Chak Cheung Street,
Shatin, N.T.**

Language: **English**

Abstract:

This paper investigates the disconnect between the growing political narrative of de-dollarization and the continued empirical dominance of the U.S. dollar. We propose a "Liquidity Paradox" framework to reconcile this divergence by distinguishing between short-term tactical asset substitution and long-term strategic diversification. Using a monthly panel of 11 major emerging market economies from 2011 to 2023, we document three key findings.

First, contrary to the flight-to-gold hypothesis, geopolitical shocks induce a short-run flight-to-dollar effect, particularly among financially constrained economies facing liquidity pressures. Second, we identify a "Sanction Paradox": since the 2014 Crimea crisis, non-allied countries have increased their reliance on dollar reserves as a precaution against potential financial exclusion. Third, although there is clear evidence of a post-2018 trend toward currency diversification, this strategic shift is offset by re-concentration driven by persistent geopolitical risk.

Overall, we show that geopolitical instability paradoxically reinforces the dollar's role as the dominant safe-haven asset, making de-dollarization a constrained and self-limiting process.

About the Speaker:

Professor Wing Hong Chan is an econometrician working at the intersection of financial economics and forecasting methods to investigate financial markets' efficiency. Professor Chan received a BA (1995) from the University of Manitoba and a Ph.D. (2002) from the University of Alberta. He taught at City University Hong Kong beginning in 2006 before returning to Wilfrid Laurier University in 2009. His research interests center around modelling and forecasting volatility and economic risks. His articles have been published in the *Journal of Business and Economic Statistics, Journal of Futures Markets, Oxford Bulletin of Economics and Statistics, and Resources and Energy Economics*, among other journals.

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