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Why might Libra be “Dead in the Womb”?

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Brussels, Belgium, 17th February 2020 - This policy brief is based on Mr Yide Qiao’s speech given at the “Digital Cryptocurrency Roundtable on Emerging Technologies, Monetary System and Global.” In his talk, Mr Qiao examines Libra, identifies the risks, and notes the opportunities cryptocurrency may pose to the global monetary system.

Mr Qiao points out the great flaws in digital protection and personal privacy in Libra’s design, along with the insufficient measures for anti-money laundering and anti-terrorist financing. Moreover, he reflects on Libra’s impact on the stability of the financial system.

Given that Libra will most likely be issued and circulated globally, it will perform the four functions of a currency: circulation, payment, valuation, and storage. Therefore, the most fundamental type of risk it brings are the shocks and injuries that may endanger the stability of the global financial system, which cannot be corrected or compensated.

Furthermore, Libra is likely to affect the implementation and transmission of monetary policies in various countries, despite the Libra Association claiming otherwise. However, due to its high levels of liquidity, it will most likely affect the monetary policy worldwide.

On the other hand, Libra gives a lot of inspiration for current issues. It has not only stirred global attention towards digital currencies, but it is very resourceful and continues to partner with other brands such as Uber, VISA cards. It also captures a prominent problem in the current global financial system, the high costs of cross-border payments.

Ultimately, Libra may play an important role in shaping the future global monetary system. It has the ability to encourage states to issue national digital currencies, or rebalance the current system of currency reserve. This can be attained by splitting it equally between the U.S. dollar, the renminbi, and the euro. Nevertheless, those possibilities are difficult to conceive in advance, and one can only pay attention to the situation as it develops.

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