

# Countries Using the U.S. Dollar

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Updated September 05, 2025

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Credit: Castle City Creative / Getty Images

The dollar is the official currency of five U.S. territories, along with 11 foreign countries, territories, and municipalities around the world. It's also the quasi-official currency of

several other nations that, in addition to their local currency, commonly accept U.S. dollars.

In addition to being the world's most commonly used currency, the dollar is also the world's reserve currency. This means it's held in large quantities by central banks around the globe.<sup>1</sup> Sometimes known as the greenback, the U.S. dollar is also one of the most commonly traded currencies on the foreign exchange market.

### **Key Takeaways**

- The first Federal Reserve Note was issued one year after the Federal Reserve was formed.
- Five U.S. territories and 11 foreign territories, municipalities, and nations use the U.S. dollar as their official currency.
- The U.S. dollar is also used with local currencies in several different popular tourist and ex-pat destinations.
- The Bretton Woods Agreement pegged foreign currencies to the U.S. dollar to promote an efficient international monetary system.
- When the Bretton Woods Agreement terminated in 1973, the U.S. dollar remained the reserve currency for most nations.

### **History of the U.S. Dollar**

The U.S.'s first Federal Reserve note, a \$10 bill, was printed in 1914, one year after the Federal Reserve Bank was created.<sup>2</sup> Although the \$1 U.S. note was issued in 1862, it wasn't until 1963 that the \$1 Federal Reserve note, featuring George Washington, was issued.

In 1944, the United States and its allies formed the Bretton Woods Agreement to create a new international trade and monetary system. Under the agreement, the International Monetary Fund (IMF) and the World Bank were created, and the U.S. dollar was established as the world's reserve currency. The world's central banks used fixed exchange rates between the U.S. dollar and their currencies.

By 1973, the Bretton Woods Agreement was terminated. However, the U.S. dollar remained the reserve currency of many nations.<sup>5</sup> The U.S. dollar remains the primary reserve currency because it is the most traded currency, and the United States maintains a strong economy.

## Countries That Use the U.S. Dollar

Five U.S. territories and 11 foreign nations and territories use the U.S. dollar as their official currency of exchange.<sup>789</sup> The table below provides an overview of the territories and countries that use the U.S. dollar as their official medium of exchange.

<b>Countries Where the US Dollar is the Official Currency</b>				
<b>US TERRITORY OR FOREIGN COUNTRY</b>	<b>RELATIONSHIP WITH UNITED STATES</b>	<b>GEOGRAPHIC LOCATION</b>	<b>POPULATION (2024)</b>	<b>GROSS DOMESTIC PRODUCT (\$USD, 2024)</b>
United States of America	Federal Republic	North America	340 Billion	\$29.18 Trillion
Commonwealth of Puerto Rico	Unincorporated territory of the U.S.	Northeastern Caribbean	3.2 Million	\$125.84 Billion
Guam	Unincorporated territory of the U.S.	Western Pacific Ocean	167,780	\$6.9 Billion (2022)
American Samoa	Unincorporated territory of the U.S.	South Pacific Ocean	46,770	\$871 Million (2022)
Commonwealth of the Northern Mariana Islands	Unincorporated territory of the U.S.	Western Pacific Ocean	44,280	\$1.1 Billion (2022)
The Virgin Islands of the United States	Insular area territory of the U.S.	Caribbean	104,380	\$4.67 Billion (2022)
Turks and Caicos	British Overseas Territory	Caribbean	46,530	\$1.75 Billion
The British Virgin Islands	British Overseas Territory	Caribbean	39,470	Not Available
Ecuador	Independent country	Northwestern South America	18.14 Million	\$124.68 Billion
Republic of El Salvador	Independent country	Central America	6.34 Million	\$35.36 Billion
Democratic Republic of Timor-Leste	Independent country	Maritime Southeast Asia	1.4 Million	\$1.89 Billion
Federated States of Micronesia	Six Sovereign Countries	Subregion of Oceania	113,160	\$471.43 Million

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Republic of Palau	Island Country	Western Pacific Ocean	17,700	\$281.85 Million (2023)
Marshall Islands	Island Country	Near Equator in the Pacific Ocean	37,550	\$280.36 Million
Bonaire	Kingdom of Netherlands Municipality	Caribbean	25,133	\$622 Million (2022)
Sint Eustatius	Kingdom of Netherlands Municipality	Caribbean	3,300	\$89 Million (2022)
Saba	Kingdom of Netherlands Municipality	Caribbean	2,060	\$49 Million (2022)

Sources: The World Bank, The CIA World Factbook, Nederlands Centraal Bureau voor de Statistiek

## **IMPORTANT**

Although British territories, The British Virgin Islands and The Turks and Caicos adopted the U.S. dollar as their official currency because of their close relationship with the United States.

## **QUASI-USE OF THE U.S. DOLLAR**

The U.S. dollar is also widely used throughout the world as a quasi-currency of exchange. It is not only widely accepted for commerce in both Canada and Mexico, but also in a host of tourist destinations, including:

- Bahamas
- Barbados
- Belize
- Costa Rica
- Panama

In some countries, the U.S. dollar is widely used as the dominant currency, though it has not yet been declared legal tender. These include:

- Bermuda

- Myanmar
- Cambodia
- Cayman Islands
- Honduras
- Nicaragua
- Somalia<sup>16</sup>

The U.S. dollar is used as a quasi-currency in a variety of popular retirement destinations for U.S. ex-pats, such as Belize and Panama, and some areas of Costa Rica. In Panama, for instance, the U.S. dollar is legal tender alongside the national currency, the Balboa, which is also worth US\$1.17

The acceptance of the U.S. dollar can also be tested in countries such as Liberia, major cities in Vietnam, and the Old City of Jerusalem.

### **WHICH COUNTRIES USE THE US DOLLAR AS THEIR OFFICIAL CURRENCY?**

In addition to five U.S. territories, 11 foreign countries, territories, and municipalities use the U.S. dollar as their official currency: British Virgin Islands, Ecuador, El Salvador, Marshall Islands, Micronesia, Palau, Timor Leste, Turks and Caicos, and islands of the Caribbean Netherlands, made up of Bonaire, Sint Eustatius, and Saba.

### **HOW DOES THE US DEAL WITH COUNTRIES THAT UNDERVALUE ITS CURRENCY?**

The U.S. government can impose tariffs and anti-subsidy duties on imported products to counter nations undervaluing their currency.

### **IS THE US DOLLAR STILL THE WORLD'S RESERVE CURRENCY?**

The U.S. dollar is still considered the world's reserve currency. The dollar is widely used globally, the U.S. economy is viewed as relatively stable, and many nations hold large reserves of U.S. cash.

### **THE BOTTOM LINE**

The U.S. dollar is the most widely used currency in the world because of its stability. It is likely to remain the global currency of choice barring broad developments in and acceptance of a global digital money system. In addition to the United States and five U.S. territories, there are 11 foreign countries, territories, and municipalities that use the U.S. dollar as their currency. Several other countries accept U.S. dollars alongside the local currency.

Travelers who plan on using the U.S. dollar outside the United States should notify their banking and credit card companies as a precaution to prevent frozen accounts due to suspicious overseas activities. Consumers should also inform their bank and credit cards regarding any foreign currency transaction fees.