

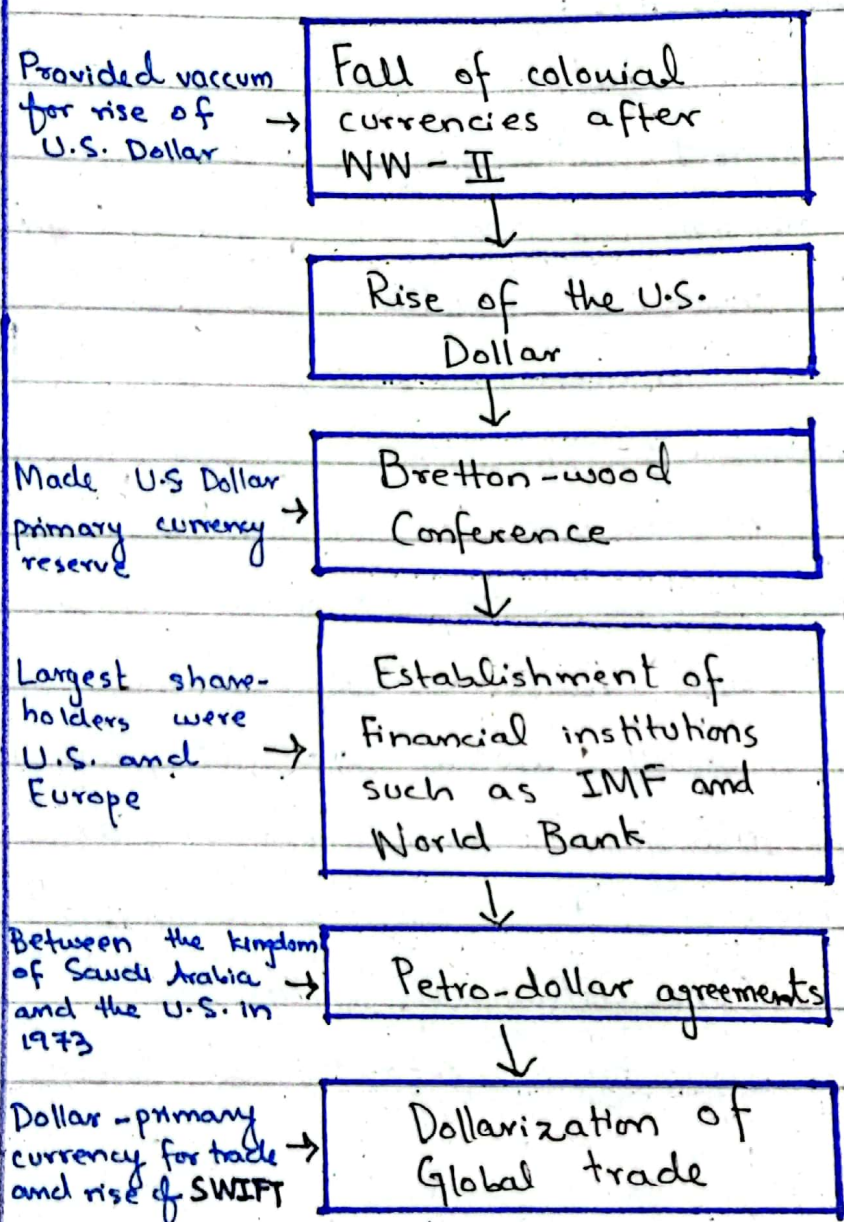
Dollar and SWIFT As a Weapon By The U.S. And Potential of BRICS+ To Counter Western Exploitation

Introduction :

After World War - II the world witnessed dollarization. Dollarization refers to the phenomenon of rise of dollar as a primary currency reserve and strengthening of the U.S. dollar. This phenomenon gave the U.S. influence over the economies of rest of world. The U.S. being fully aware of it, has been using its currency as a weapon to counter emerging powers specially of Global South. In the pretext of these

dynamics, Global South and specially Russia and China become pioneer of BRICS+ alliance to counter the U.S. exploitation.

Rise of Dollar : Dollarization



Phenomenon of Dollarization

SWIFT: A U.S. influenced financial transaction system.

Society for World wide Interbank Financial Telecommunication, generally referred as SWIFT is used to facilitate international trade. Its default mode of transaction is dollar. It is used by more than 11000 banks and almost 200 countries.

The issue with SWIFT is that it is heavily influenced by Western powers particularly the United States. Thus, the exercising control over SWIFT, United States influence global trade in light of its very own foreign policy.

Dollar and SWIFT:

Weapon of the U.S
against Global South

Abuse of Dollar and
SWIFT against Global
South

Tool of the
Foreign Policy
of the U.S.

Imposition of
Unilateral
Economic
Sanctions

Control over
sovereign
financial
assets

• Tool of the Foreign Policy

Dollar being primary currency for trade allows the United States to pull the string of trade as it deems fit. Furthermore, the International Monetary Fund and the World Bank also provides loans in dollar that further strengthens the grip of dollar. The United States use this status of Dollar as a tool of foreign policy. For example to counter

emerging powers and to punish those who challenge the hegemonic claims of the U.S. The U.S. also forces its allies to comply and assist in implementation of its imperial aspirations. The manifestation of these intentions were witnessed by the world when the Bank of England blocked 32 tons of Venezuelan gold in 2018. The same institution also froze around US. dollar 300 billion assets of Russia in Global North countries.

• Imposition of Unilateral Economic Sanctions

Control over dollar and SWIFT system facilitates the United States to impose unilateral economic sanctions on other sovereign countries. The United States is the only country that can impose

such sanctions. The United States imposed sanctions on Iran, Russia and Belarus because of this power. Currently it is threatening Canada with the use of economic force.

“If dependence on the SWIFT system continues the weaponization of the dollar will certainly continue.”²³

- Li Yuefeng
(Senior economist)

- Exercising control over sovereign financial assets

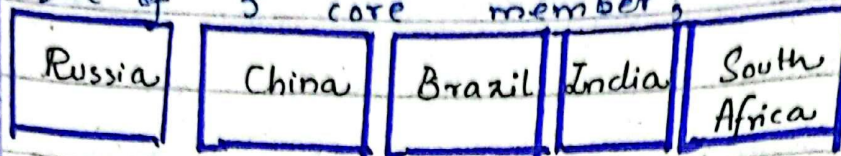
Influence of dollar and SWIFT on the global monetary process allows the United States to exercise control over sovereign financial assets. It allows the U.S. to

freeze assets, restrict trade, limit financial transactions and isolate the target countries. After Russian invasion of 2022 upon Ukraine, SWIFT blocked 11 Russian banks and U.S. froze assets of Russia in the foreign banks. These actions led to decrease of 2.5% in the Russian GDP. This was way of U.S. punishing Russia and now it is planning to use those sovereign serves to rebuild Ukraine.

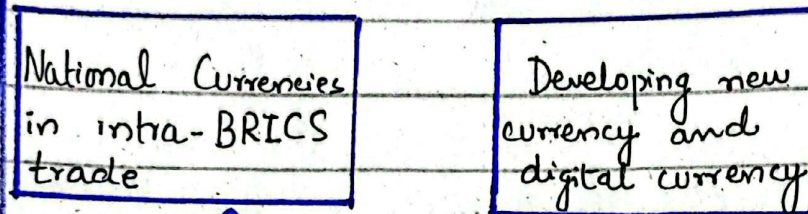
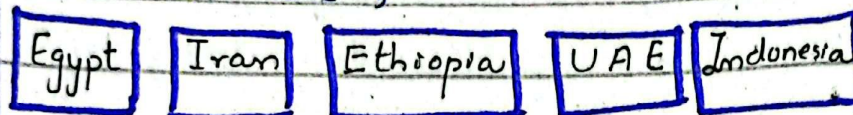
Counter-Efforts by Global South : Creation of BRICS+

To counter the exploitation at the hands of the United States, the emerging powers of Global South such as China and Russia

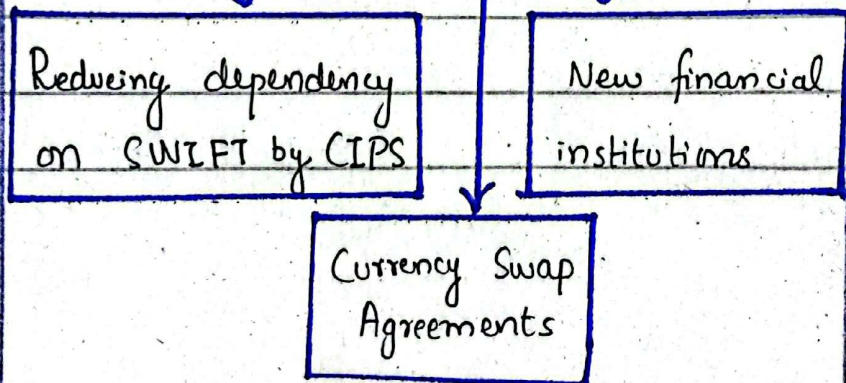
formed an alliance bloc referred as BRICS. BRICS is an informal bloc of 5 core member;



Moreover, 5 more countries joined BRICS recently, shifting it from BRICS to BRICS+. These countries are;



Potential of BRICS+ to counter West : Dedollarization



* National Currencies in the Intra-BRICS Trade

To reduce the influence of the United States, BRICS countries have started to trade in their local currencies. Recently, Russia announced oil trade in Yuan. Many countries including Pakistan and India bought it. Moreover, since 2021 China and Russia is going for trade in local currency; Yuan-Ruble trade. Just in 2021, 25% of trade between these countries were in Yuan and Ruble. Furthermore Brazil and India are also going for trade in local currencies. In 1990, 80% plus global trade was in the U.S. dollar which reduced to almost 50% in the 2023.

* Currency Swap Agreement

To promote multipolarity in the global, BRICS+ alliance is doing multiple currency swap agreement. Uptill now these agreements have been made by BRICS+ alliance with more than 40 countries.

* Developing new common currency and digital currencies.

In the BRICS+ summit of 22nd October, 2024 in Russia, alliance discussed possibility of a new common currency of BRICS+ partners. This new currency will be print against gold not in compliance with the existing Bretton-wood system.

Furthermore, possibilities of moving towards digital currencies is also under consideration in many BRICS countries. They are also considering

Inclusion of cryptocurrency in the intra-BRICS+ trade. Moreover, Russian parliament is passing legislation to regulate the Central Bank Digital Currency. Similarly, proceedings are taking place in China. Brazil is also working to develop its own digital currency, Drex.

* Reducing dependency on SWIFT

To counter influence of SWIFT, China came up with an alternate system in 2015, called CIPS or Cross-Border Interbank Payment System. The system primarily work with Yuan but still has 47% U.S. dollar. The purpose of CIPS is to counter SWIFT and fasten dedollarization.

^{cc} De-dollarization is not just a goal of organizations and some organizations but reality. ²²

- Marina Zakharova
Spoke-person of Russian
Foreign Ministry

* New financial institutions

BRICS+ alliance is moving towards establishment of new financial institutions free from interference of the IMF and the World Bank. New Development Bank is operational in this context. During COVID-19, New Development Bank approved emergency assistance program totaling \$ 10 billion for support of BRICS+ countries.

Critical Analysis:

There is no doubt in the fact that decollarization is a reality. BRICS+ countries are moving towards alliance to counter U.S exploitation and bring multi-polarity in the world. As Antonio Filipe, the Deputy of the Portuguese Assembly of the Republic aptly remarked,

“The increasing multi-polarity of BRICS allows countries to pursue development independent of imperial control.”

- Antonio Filipe

But it is important to consider that U.S. dollar did not strengthen overnight, and therefore complete dedollarization is a distant dream.

Speculations are also emerging on the development of new currency as history has proven how the printing of money against gold has failed in past. It is also pertinent to notice that

BRICS has countries with internal conflicts such as animosity between China and India. Having said that, one can still not ignore the growing influence of dedollarization efforts and greater assertiveness of Global South. Goldman Sachs describes this alteration as:

“Rise of geopolitical swing states.”

- Goldman Sachs Analyst

Conclusion :

In a nut shell, it is evident that the U.S. has been misusing its powers to exploit global south. This attitude led to the rise of BRICS+ alliance. The alliance is working to counter dollarization and stepping milestones BRICS+ has great potential to counter Western hegemony. But one can not ignore the challenges faced by it such as doubts of neo-imperialistic practices. The upcoming world points towards a multipolar world. If U.S. still want to stay relevant, it would have to shift its focus from competitiveness to collaborations.

A political scientist, Spector rightly stated in this regard,

“For the U.S. to maintain leadership in a multi-polar world, it must engage with the Global South as equals.”²⁰ Spector.