

Q. Dollar and SWIFT being used as a weapon by US against the countries of the global South. Critically evaluate how BRICS+ could counter this to get rid of the western exploitation on permanent bases.

ANSWER

### 1) Introduction:

It is rightly said that, currently the international wars are fought on economic zones. That country will survive whose economic muscles are strong and could influence the economic institutions of the rival country.

Soon after world war II, Bretton wood system was introduced by America in special and west in general. Under the institutions of Brettonwood system, USA started controlling the economies of the world. The strategies opted to control the economies were: the dollarization of international trade, nearly about 58-60% of international trade is being done in dollars currently. Later on America introduced the SWIFT system in the



world. The main purpose of SWIFT was to strengthen the international trade through the instantaneous debiting and transaction among the registered financial institutes. By dint of these institutions USA became the financial hegemon of the world and it started using these as the weapon against the rival countries. In 2012 America sanctioned Iran and kicked it out of SWIFT over its nuclear programs. Currently that strategy has been used against Russia since 2022, when Russia invaded Ukraine. US had sanctioned Russia and frozen its foreign reserves amounting to \$300 billion. Thus the economical weaponization of America is at its peak. Now the countries from global south are quite worried about their turn, thus they are opting different strategies to counter the dollar hegemony in the global market through various options. Among the top are currency swap agreements and de-dollarisation from the platform of BRICS.



## 2- How dollar and SWIFT are being used as a weapon against the global south.

The current world is divided into two poles based on the economical conditions of the country. One is the developed pole leading by United States of America, under which UK, ~~Japan~~, South Korea, Australia, New Zealand falls. This pole is economically rich and industrialized.

The second pole is the global south, which include the third world countries during cold war. Addition to these the countries from Latin America, Africa and majority Asian countries come under this category. These are economically poorer and less industrialized countries.

After the world war II, the winners of the war started shaping the fate of the world according to their own will so, they introduced certain steps in global market and later on started using those strategies to punish the third countries in specific



and global south in general.

## i) Dollarisation of the international market and punishing global south.

As the western countries share the interest so they really do not care whose among them rule the world and whose currency must run international sphere.

As the International market was dollarized through various agreements and later on through petro-dollar agreement the export of OIL was also made dollarized. Those countries whose ideology does not match with US-lead ideology, US imposes economic sanctions upon them and make them bow before US.

During the cold wars United states imposed economic sanction upon, Vietnam, North Korea, Czechoslovakia and ~~and~~ to all those where communism used to prevail. Very recently US used economy as weapon against Iran and sanctioned the international trade of Iran over the nuclear programs. In 2022 Russia become



prey of United states's economic sanctions. Soon the war broke out between the Russia and Ukraine, United states froze \$300 billions of Russia by weaponizing its economy.

## ii) SWIFT as a weapon:

Society for worldwide Interbank telecommunication, is a brussel based financial institutions it has almost Eleven thousand banks registered to it world-wide. It does not moves the currency rather it connects the registered banks to eachother for debit and transaction of money in dollars. Annually it recieves 5 billion messages.

This institution was again used by US and allies against global South. They kicking off the country out of the network, then that country can not recieves and transfer money. Back in 2022 almost 1100 financial institutes of Russia was kicked off from swift over Russia-Ukraine war. In year 2012 Irani financial institutes



were also dismembered from the network.  
Now Iran could not receive the transaction  
of their oil export in hard money.  
Same attitude was kept against North  
Korea, Cuba and many other countries.

### 3- Strategies of BRICS+ to Counter the western exploitation on permanent basis.

BRICS+ a global south based organisation,  
with a global GDP of 45% has  
under scored various strategies to counter  
the hegemony of American lead western  
countries. Some of the strategies they  
have taken currently and many more  
are documented which can be used  
very soon. below are some strategies  
to counter the exploitation of global  
south on permanent basis.

#### i) New Development Bank:

The western system of exploitation started  
soon after the inauguration of Bretton-  
wood system under which different  
tasks were divided among sub-



institutions. Those tasks could be fund for payment of debt crisis and reconstruction of developmented projects. Now ~~the~~ once any country could take loan from them, they would devastate the economy and structure of the country with its dictation. Beside this these institutions are western centric and provide loans to themselves first and then global south. Now the New development bank took that task in its hands. The current capacity of new development bank is about \$100 billion, which will increase very soon. The task of new development bank is to allocate funds for balance of payment crisis and for developmented projects only to the countries of global south.

## ii) Currency swap systems

Another strategy which is opted by global south to get rid of the western exploitation on permanent basis is currency swap system. prior to this almost 85% of the



World trade used to be in dollars, now after opening this strategy the countries of global south are trading with each other in currency swap. The current trade between China and Russia is held in currency swap. It was estimated that the trade between Russia and China during the financial year 2023-2024 was about 1.6 trillion YUAN. Beside this foreign minister of Saudi Arabia has announced that, now world can trade with them within their own currency. The current trade between India and Russia, and India - China is also going on in the currency swap agreement. China is importing hydrocarbons from Iran in YUAN which is a greater setback to the dollar and SWIFT on permanent basis.

### (iii) Introduction of BRICS currency from the platform of BRICS.

In the year 2020 the premier of China has proposed a currency for global south particularly for the



members of BRICS states. The currency is currently under documents. If coined it would be a greeted and permanent setback to the exploitation of global north and USA.

#### 4. Conclusion:

The weaponization of economy by the USA against global south is the serious threat to the countries of global south. Now global south wants to come out of that threat. Thus they are in search of multiple ways to get rid of western exploitation on permanent basis.