

# A World without Dollars? Are We Approaching the End of America's Financial Order?

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*For Washington, the U.S. dollar is leverage, a financial weapon to dominate the world economy, to impose its foreign policy agendas and to secure a steady flow of natural resources over sovereign countries who use the currency.*

In the last decade or so, the reputation of the U.S. dollar has been widely discredited because it is viewed by many governments around the world as a risky asset since the U.S. economy holds more than \$21 trillion in debt and if you add the unfunded liabilities in the form of promises to ensure payments to retirees associated with government pensions, entitlement programs and social security amounts to more than \$200 trillion. The dollar is a fiat currency based on "faith" which is issued by the Treasury department and backed by the full weight of U.S. government, but countries who are routinely threatened by Washington with economic sanctions have lost faith in the dollar. The dollar is a debt instrument issued to the public with no real objective measure of the dollar's true value. Since the Federal Reserve Bank was founded in 1913, the dollar has lost over 97% of its value. In 2018, *rt.com* reported that

"the Russian president noted that there are risks in settlements in national currencies, but they could be minimized. "Risks exist everywhere and they need to be minimized, and in order to minimize them diversification is required." Holding dollars is risky "According to Putin, the US dollar is also a risky financial tool. "US foreign debt amounts to \$20 trillion. What will be next? Who knows?"

The U.S. will never be able to finance their debt even if they brought back their manufacturing base, reduce government spending and end all of their wars including those in Iraq and Afghanistan. Peter Schiff of *Euro Pacific Capital* recently told Rick Sanchez of *RT News* that

"All the signs are already there. Look at what's happening out there. The stock market is falling, Look at homebuilders, the housing stocks, the financials, the retailers - all these are the same things that were happening in 2007 leading to that crisis," Schiff warned. "So, what you've got to do is get out of U.S. dollar assets. The dollar is going to be the biggest casualty along with the American standard of living."

The U.S. and their allies including Saudi Arabia, Israel, NATO, Colombia and until recently Brazil under the new Presidency of the ultra-right wing fascist, Jair Bolsonaro are preparing

for a major war with Russia, China, Iran, Syria, Lebanon, Venezuela, Nicaragua and Cuba to basically regain control over the world by restoring the U.S. dollar to its global dominance it once had. *The National Interest*, an international affairs magazine founded by neoconservative thinker Irving Kristol and whose honorary chairman is one of the world's most notorious war criminals, Henry Kissinger published an article written by Christopher Smart titled '*The Future of the Dollar-And It's Role in Financial Diplomacy*' on the role the dollar plays in what they call "financial diplomacy":

Financial diplomacy begins with the coordination of macroeconomic policy, investment regimes and banking regulation, but dollar dominance has given the United States a privileged role in a broad field of negotiations including debt restructuring, battles against terrorism and transborder crime. Most notably, targeted financial sanctions have dramatically bolstered political leverage to isolate bad actors like Venezuela over human rights or Russia over transborder aggression. Washington has sometimes failed to capitalize on all these tools due to poor political leadership or bureaucratic dysfunction, but that may make its accomplishments all the more remarkable across two broad areas. First, U.S. financial diplomacy has been the dominant voice in setting the rules and institutions that reinforce the openness and stability of the global financial system, and consequently support world economic prosperity. Second, the dollar's dominance has opened conversation on a range of matters that raise global standards and improve cooperation beyond finance.

The ability to impose order on unruly global markets is, in many ways, what distinguishes the dollar from other international currencies. It is the world's safest asset whenever political or financial turmoil spikes. In many of the same ways that the overwhelming power of the U.S. military can force order onto a conflict zone, so the U.S. Federal Reserve and Treasury have played pivotal roles in stabilizing financial markets through swap lines and loans

The U.S. has essentially used its currency status, or what Christopher Smart described as the dollar having "*a privileged role*" of negotiating financial deals with the upper-hand when it comes to specific issues including debt restructuring or "*targeted financial sanctions*" with leverage (*or in simple terms, a gun to your head!*), and for all of those reasons that is why several countries had made significant moves away from the dollar. That is why the dollar has also been losing its position as the world's reserve currency, so a war will be the only option they have to keep it intact. The dollar became the reserve currency of the world since 1971 when the Nixon administration abandoned the Bretton-Woods gold standard, then the federal reserve went into mass printing mode where dollars were created without anything to back it. One other reason that the dollar became a reserve currency for the world is what we call the *Petrodollar* as a mechanism to control the oil markets when Washington made a deal with Saudi Arabia to standardize oil prices in dollars creating the "petrodollar system" which meant that oil exporting countries needed to use dollars in exchange for their oil imports, therefore making it essential for all oil-exporting countries to use dollars. So national incomes became dependent on the dollar's value, so when the dollar falls in value, so did their economy. U.S. trade partners must peg their currencies to the dollar, so if the value of the dollar falls, so does the price of their domestic goods and services fall.

Not only the U.S. made the dollar the dominant currency in the world for natural resources in terms of oil, it uses its currency status as a weapon against sovereign nations who dared to challenge U.S. hegemony. Several countries in the last decade, especially Russia and Iran have been slowly abandoning the U.S. dollar since they have been repeatedly sanctioned by Washington for not following Western standards of compliance within the world order.

Despite Trump calling for the withdrawal of U.S. troops from Syria and Afghanistan (*I don't believe Trump will make that happen in my opinion*), it does not change the fact that the Military-Industrial Complex is planning the next major war to protect the dollar as it is losing its world reserve status, perhaps we can call it The Dollar War. Iraq's Saddam Hussein decided to sell oil in Euros bypassing the dollar and Libya's Muammar Gaddafi had planned on Africa using a gold-backed currency in dinars instead of the dollar. Soon after, a no-fly zone was imposed in both Iraq and Libya leading to a war which devastated both countries. Muammar Gaddafi also called for African nations to dump the dollar at a time when China's growing economic ties with several African countries became a threat to Washington. Saddam Hussein and Muammar Gaddafi were eventually captured by U.S. and NATO backed forces and terrorist groups and executed.

As the World Moves From the U.S. Dollar, Chance of a Major War Increases

On August 6th, 2018, former Iranian President Mahmoud Ahmadinejad tweeted

"The use of the US Dollar as the standard unit of currency in global markets and the world banking system is the key strength of the American Empire. Things need to change, current orders should be reordered. #Newworldorder #DollarDictatorship."

Things do need to change. Russia, China and Iran are making moves to change the current system without the dollar. The mainstream- media is taking notes on the reality as Newsweek magazine published an interesting article last September titled '*Russia and China Think U.S. Dollars are Ruining the World, So They're Finding A New Way*' The title in itself speaks volumes.

"Russia and China lashed out at U.S.'s control over the global financial system after being hit by fresh sanctions that have left the two rising powers increasingly frustrated."

The article continued:

"Russian Foreign Minister Sergey Lavrov said Friday that his country was making extensive efforts to distance itself entirely from the U.S.-dominated international financial system, much of which runs on the U.S. dollar, and urged others to do the same. Washington has taken advantage of its unmatched influence by enacting sanctions as a form of punishment against countries accused of wrongdoing, or to persuade them to alter policies that are unfavorable to the United States"



The Russian, Chinese and the Iranian governments and their citizens alike have been experiencing U.S. imposed sanctions for some time. Russia's Foreign Minister Sergey Lavrov spoke on what Russia and their partners in Asia and Latin America were doing to be less depended on the U.S. dollar:

“Referencing the U.S. and its Western allies that have joined in on sanctions against Russia, Lavrov said Russia was “doing everything necessary to not depend on those countries that do so with respect to their international partners. More and more of our partners in Asia and Latin America are beginning to come from the same approaches. I think that this movement will only grow stronger.”

Whether it's Political or Just Plain Economics, Sovereign Countries Are Bypassing the U.S. Dollar

While more countries around the world grow frustrated with U.S. sanctions, there has been a number of important trade agreements by using their own currencies to bypass the dollar.

Here are some recent developments from 2017-2018:

China-Japan Buy Less U.S. Treasuries, What Does it Mean for the U.S. Dollar?

Two major economic powers, China and Japan have reduced their holdings of U.S. treasuries as of last August according to a report from October 2018 by *rt.com* “*China's holdings of US sovereign debt dropped to \$1.165 trillion in August, from \$1.171 trillion in July, marking the third consecutive month of declines as the world's second-largest economy bolsters its national currency amid trade tensions with the US.*” The report also said that Japan is following in the same footsteps of China by cutting their holdings of U.S. debt:

Tokyo cut its holdings of US securities to \$1.029 trillion in August, the lowest since October 2011. In July, Japan's holdings were at \$1.035 trillion. According to the latest figures from the country's Ministry of Finance, Japanese investors opted to buy British debt in August, selling US and German bonds. Japan reportedly liquidated a net \$5.6 billion worth of debt

The report mentioned others who are following the same strategy of reducing U.S. treasuries because of economic, financial and geopolitical tensions over the years:

Liquidating US Treasuries, one of the world's most actively-traded financial assets, has recently become a trend among major holders. Russia dumped 84

percent of its holdings this year, with its remaining holdings as of June totaling just \$14.9 billion. With relations between Moscow and Washington at their lowest point in decades, the Central Bank of Russia explained the decision was based on financial, economic and geopolitical risks.

Turkey and India have followed suit. Like Russia, Turkey has dropped out of the top-30 list of holders of American debt following a conflict with Washington over the attempted military coup in the country two years ago. While India remains among the top-30, the country has cut its US Treasury holdings for the fifth consecutive month, from \$157 billion in March to \$140 billion in August

At one point in history, China acquiring US debt offered a safe haven for what is known as *'Chinese forex reserves'* where China offered loans to the US so that US consumers can buy Chinese goods as long as China had an export-driven economy which led to large-scale trade surpluses with the U.S. This allowed China to purchase U.S. debt over the years, but now that is no longer the case. China's trade and geopolitical tensions with the U.S. has increased over the years especially since China's economic power has grown. China's *'One Belt One Road' Initiative* has blocked Washington's ambition to dominate the Asia-Pacific region.

An article by *Schiffgold.com* *'Who Is Buying US Treasuries'* noted the fact that *"the Japanese and Chinese aren't buying US Treasuries. In fact, both countries reduced their holdings in April."* The article also says that China can use *"US debt as a weapon"* because they *"can't out-tariff Trump. The US imports far more products than the Chinese."* What is important for China's strategy against U.S. pressure is the fact that *"they could start more aggressively selling US Treasuries. If China starts dumping large amounts of debt on the market, interest rates will likely soar and the dollar would plunge."* According to Schiffgold.com

*"As Wolf Street noted, you can more clearly see that Japan and China are less eager to service US debt when you look at it in terms of the percentage of the US gross national debt" WolfStreet did say that the two reasons are that "the US gross national debt has soared" and that "the holdings of China and Japan have fallen over the past two years."*

With Washington's support of Taiwanese independence and the U.S. Navy ready to expand its presence in the South China Sea, China will continue to sell U.S. treasuries and expand their markets around the world under the *'One-Belt, One-Road Initiative'* while building their military capabilities puts Washington in a tight spot. China, Russia, Japan and others are following similar strategies that require less dollars. Tensions between Beijing and Washington will intensify as long as China's influence around the world gains traction while its economic growth continues to outpace the U.S. economy.

#### Russia & Syria to Use National Currencies for Mutual Settlements & Energy Exploration

In a strategic economic sense, Russia and Syria has agreed to bypass the dollar when it comes to *"mutual settlements and energy exploration in Syria"* which is an important development to consider. *"Mutual settlements, transport and logistics - as far as I'm concerned these issues have been settled," Vladimir Padalko, Vice-President of the Russian Chamber of Commerce and Industry told journalists on the sidelines of an annual meeting of the Russian-Syrian commission for trade, economic, scientific and technical cooperation, taking place in Damascus"* according to an *rt.com* report *'Russia & Syria to dump dollar in*

*mutual trade, agree joint energy projects'* published last month.

"The Russian official added that the countries have picked 200 Russian and Syrian companies to take part in joint projects for rebuilding the war-torn country. The parties are set to sign an agreement that includes 10 extensive focus areas for recovering the Syrian post-war economy"

The report also stated that *"the parties have also clinched a number of commercial agreements on exploration and production of energy commodities in Syria, according to the Russian office."*

#### Iraq & Iran Remove U.S. Dollars from Trade

Another interesting development is the agreement between Iraq and Iran when it comes to mutual trade agreements in bypassing the dollar and using the Euro (*that's what got Iraqi President Saddam Hussein into trouble with Washington*) and local currencies and even using a barter system for the trading of goods. A report published on September 10, 2018 by *Presstv.com*, an Iranian news source titled *'Iraq officially removes US Dollar from Iran trade'* said that Iraq and Iran *"abandoned the greenback in their mutual trade."* The article stated the following:

Reports emerged in early September that Iraq and Iran had abandoned the greenback in their mutual trade, giving way to the Euro and local currencies, as well as direct barter of goods. "The US dollar has been removed from the list of currencies used by Iran and Iraq in their trade transactions and they are using Iranian Rial, euro and Iraqi dinar for financial transactions," Yahya Ale-Eshagh, head of the Iran-Iraq Chamber of Commerce, was quoted as saying by local media

Not only the governments of Iraq and Iran were bypassing the dollar in trade, merchants were already engaging in barter operations:

Apart from switching from the US dollar to alternative currencies, Iranian and Iraqi merchants have been engaging in barter operations, according to the official. The banking system, however, still needs improvements, since only a fraction of trade between the two countries actually goes through banks

One obstacle stands in the way from completely removing themselves from the dollar and that is the banking system:

The banking system, however, still needs improvements, since only a fraction of trade between the two countries actually goes through banks. "Resolving the banking system problem must be a priority for both Iran and Iraq, as the two countries have at least \$8 billion in transactions in the worst times," Ale-Eshagh was further quoted as saying by the website of Russia Today.

#### India & Iran Will Drop Dollars for Oil Trade

India is another country set on bypassing the dollar by paying for Iranian oil imports with rupees to avoid U.S. sanctions. According to *rt.com* who has been following these

developments on countries dropping the dollar closely said that:

Under the deal, the payments for oil will be made through India's state-run UCO Bank, which has no US exposure. The countries are also discussing the barter-like system to avoid US sanctions, Sputnik reports. Iranian Foreign Minister Mohammad Javad Zarif is on a visit to India this week, where he has met with Indian counterpart Sushma Swaraj. "During the talks, the two sides also exchanged views on a further expansion of ties in banking, energy, trade, insurance, shipping, use of national currencies, Chabahar projects and Chabahar-Zahedan railway," Zarif said in a statement

India bought a record 27.2 million tons of Iranian crude last year, which according to *Sputnik News* "ended in March 2018." It was calculated at a 114 percent increase. India's Swaraj said the country would ignore the US trade sanctions against Iran. "India will comply with UN sanctions and not any country-specific sanctions," Swaraj said.

Pakistan and China's 'One Belt One Road Initiative'



Last December, Pakistan's New Prime Minister, Imran Khan was interviewed by *The Washington Post* in regards to Pakistan's relationship with the U.S. and their growing relationship with China 'Pakistani leader to the U.S.: We're not your 'hired gun' anymore.' Khan was asked about Trump's tweets and U.S. aid given to Pakistan over the years "What are you planning to do about your country's relationship with the U.S., which has been deteriorating and has involved a social-media war with the president?" referring to Trump's tweets on US aid to Pakistan and that safe havens that were given to terrorists. Trump wrote that "the United States has foolishly given Pakistan more than 33 billion dollars in aid over the last 15 years, and they have given us nothing but lies & deceit, thinking of our leaders as fools. They give safe haven to the terrorists we hunt in Afghanistan, with little help. No more!" Khan replied with "It was not really a Twitter war, it was just setting the record right." later blaming "flawed U.S. policies — the military approach to Afghanistan." Khan was asked about the future relationship with the U.S. and China and answered by stating the truth and facts of what was really happening in Pakistan, so he said that "I would never want to have a relationship where Pakistan is treated like a hired gun — given money to fight someone else's war. We should never put ourselves in this position again. It not only cost us human lives, devastation of our tribal areas, but it also cost us our dignity."Khan expanded his idea on Pakistan's growing relationship with China saying that it is not "one-dimensional" and that "It's a trade relationship between two countries. We want a similar relationship with the U.S." What was interesting was what *The Washington Post* said to Khan regarding his anti-U.S. stand and Khan replied with "If you do not agree with U.S. policies, it does not mean you're anti-American. This is a very imperialistic approach: "You're either with me or against me."

On December 17th, 2017, an article by Reuters 'Pakistan considering plan to use yuan in

trade with China' explains how Pakistan is considering a proposal to replace the dollar with Chinese Yuan's in the near future:

Pakistan is considering a proposal to replace the U.S. dollar with the Chinese yuan for bilateral trade between Pakistan and China, the English-language daily newspaper Dawn reported on Tuesday. Bilateral trade between the countries totaled \$13.8 billion in 2015 to 2016

What is troubling for Washington is the cooperation between China and Pakistan and what it involves in terms of the China Pakistan Economic Corridor (CPEC):

The long-term plan highlighted key cooperation areas between the neighboring states including road and rail connections, information network infrastructure, energy, trade and industrial parks, agriculture, poverty alleviation and tourism. The plan marks the first time the two countries have said how long they plan to work together on the project, known as the China Pakistan Economic Corridor (CPEC), taking the economic partnership to at least 2030. China has already committed to investing \$57 billion in Pakistan to finance CPEC as part of Beijing's "Belt and Road" initiative to build a new Silk Road of land and maritime trade routes across more than 60 countries in Asia, Europe and Africa.

*European Union to Create Own Payment System Independent of the U.S. Dominated SWIFT System? Don't Count on it*

Some countries within the European Union would be more than willing to move away from the dollar at least according to the author of 'Currency Wars', Jim Rickards. Rickards wrote an interesting article on actions the European Union is considering to establish a new E.U. based payments system that is independent from the U.S. dominated SWIFT (Society for Worldwide Interbank Financial Telecommunication) payment system. The article was published in *The Daily Reckoning* titled '*The World Is Ganging up Against the Dollar*', Rickards said that "*the U.S. has been highly successful at pursuing financial warfare, including sanctions. But for every action, there is an equal and opposite reaction.*" Stating the facts on how the U.S. uses its dollar, the world is responding with its own actions. Rickards warned "*As the U.S. wields the dollar weapon more frequently, the rest of the world works harder to shun the dollar completely.*" he continued "*I've been warning for years about efforts of nations like Russia and China to escape what they call "dollar hegemony" and create a new financial system that does not depend on the dollar and helps them get out from under dollar-based economic sanctions.*"

A new financial system was mentioned by German Foreign Minister Heiko Maas who "*recently called for a new EU-based payments system independent of the U.S. and SWIFT (Society for Worldwide Interbank Financial Telecommunication) that would not involve dollar payments*" to obviously bypass Iranian sanctions imposed by the U.S. Jim Rickards describes the SWIFT system the "*nerve center of the global financial network. All major banks transfer all major currencies using the SWIFT message system. Cutting a nation off from SWIFT is like taking away its oxygen.*"

Given the fact that Europe is Washington's lap dog when it comes to foreign policy and economics, Europe would be balancing itself on a tightrope if they decided to create a new payments system without angering Washington. So don't count on them on creating a



system that would damage Washington's economic hegemony over European markets.

However, Russia has already made that move away from the SWIFT payment system to SPFS (System for Transfer of Financial Messages). According to *rt.com*:

Russia's money transfer system, developed as an alternative to SWIFT is now more popular than the global network, said Anatoly Aksakov, head of the Russian parliamentary committee on financial markets. He explained that Moscow is already engaged in talks with Chinese, Turkish and Iranian financial regulators on integrating its System for Transfer of Financial Messages (SPFS) with financial messaging systems of those countries

The report went on to mention that the SPFS has more users than SWIFT:

"The number of users of our internal financial messages' transfer system is now greater than that of those using SWIFT. We're already holding talks with China, Iran and Turkey, along with several other countries, on linking our system with their systems," Aksakov said. "They need to be properly integrated with each other in order to avoid any problems with using the countries' internal financial messaging systems"

Russia created the SPFS payment system which *"began in 2014 in response to Washington's threats of disconnecting Russia from SWIFT. The first transaction on the SPFS network involving a non-bank enterprise was held in December 2017"* the report said.

SWIFT is a system that allows financial institutions to either send and receive information concerning financial transactions in a secure environment which is based on the dollar system. However, the SWIFT system is a tool used by the U.S. against other countries to enforce their foreign policy agendas. For example, between 2014 and 2015, the U.S. blocked several Russian banks from SWIFT since US-Russia relations were at an all-time low. In 2018, the U.S. threatened to ban China from using the system if it did not follow UN sanctions on North Korea.

With these actions taken by the U.S., it has also pushed China and Russia to purchase gold reserves over the years to minimize their exposure to the dollar and avoid any problems that may come up concerning their financial transactions with a payment system solely dominated by the U.S. So who can blame them?

Will Washington Launch the Next Major War to Save the U.S. Dollar?

World War III will be based on maintaining the power of the U.S. dollar. The interests of major corporations, the establishment from Washington and London, the banks and an interesting tribe whose seeds were planted in the Middle East back in 1948 are based on the dollar's strength.

The dollar is the backbone, the tool that allows Washington to continue its geopolitical dominance backed with its military power over the world's economy and its natural resources. The dollar allows Washington to intimidate sovereign countries with economic sanctions as a way to influence or directly control their politics and economy in Washington's favor, nothing more and certainly, nothing less, and that's a major reason the acceleration of dumping the U.S. dollar around the world will lead us into a major world war

that may start with a country that has plenty of oil which two come to mind, and that is Venezuela and Iran.

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