

Geopolitics and Financial Warfare: The Reconfiguration of the Global Balance of Power

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Far from operating in a purely economic sphere, the action of market forces is also manifested in the geo-political dimension. Hence, the behaviour of the financial sector is not exempt from this logic, especially taking into account the density and worldwide reach of modern finance.

In fact, it can be argued that the intersection between geo-politics and finance is one of the key drivers whose impacts are reshuffling the global balance of power within the international system. Therefore, as a grand strategy issue, it sparks deep implications for states' national security.

Therefore, the need to understand this organic symbiosis highlights the pertinence of transgressing the traditional disciplinary barriers between international relations and economic science, in order to generate an adequate paradigm with explanatory usefulness for assessment, forecasting and prescriptive purposes. Accordingly, geo-financial analysis – a product of the aforementioned hybridisation – reveals the reflection of these developments in processes related to power, conflict, hegemony and strategic intelligence, amongst others.

The Financial Power of Nation States and its Components

From a long-range perspective, the financial capabilities at the disposal of national states are not just about stockpiling wealth or resources which can be used to fund conventional military mobilisations; they can also be harnessed as vectors for the direct projection of national power in the pursuit of geo-political interests.

Thus, states' power in the geo-financial field can be assessed through quantitative indicators, such as degree of financial development, magnitude of foreign currency reserves, amount of precious metals reserves, level of currency internationalisation, control of commodity exchanges, investment banking, sovereign wealth funds and credit ratings. Nevertheless, it is also appropriate to evaluate qualitative factors – financial diplomacy and monetary 'soft power' – because of their importance when it comes to exerting influence.

Moreover, anchoring a certain currency to international energy trade – since it involves resources which are vital for the survival and functional performance of modern economies – represents a formidable synergy that combines geo-political and financial advantages for the issuing state's national interests. In fact, its enduring and exclusive position as a petrocurrency is one of the factors that have underwritten the multi-dimensional strength of the US dollar. Nonetheless, the on-going rivalry in this regard – where there is a strategic convergence between currencies and hydrocarbons – is becoming increasingly intense and, therefore, so are the resulting challenges for the reigning petrocurrency's coveted

privileges.

In this context, the international financial system turns out to be a fierce competitive arena where the hierarchical equilibrium amongst the predominant currencies mirrors the balance of geo-political might amongst the major powers. Of course, the highly dynamic nature of both determines that correlations between the two realms are constantly being rearranged. Accordingly, the relative positions held by currencies of the leading powers are not static.

Financial Warfare

Nowadays, war is not only waged through conventional military mobilisations. In fact, in a setting of planetary economic interconnectedness, it is possible to fight through financial channels and instruments, in order to achieve geo-political interests.

This kind of 'unorthodox' confrontation can be carried out in a relatively covert way and in legally ambiguous spaces, so it is not always easy to discern the identity of the contenders involved. Furthermore, both state and non-state actors participate in these highly complex dynamics.

Despite the innovative format of conflicts fought in this peculiar battleground, some strategic principles of conventional warfare still apply, such as power projection, the use of asymmetric attacks and deceptive tactics, as well as the existence of centres of gravity and operational theatres, even though the corresponding dynamics are thus evidently shaped by the parameters pertaining to the geo-financial battlefield. Thus, the upgrade of unconventional warfare doctrines is a resulting must.

Concerning typologies, there are several kinds of financial strikes against geo-political enemies, including speculative attacks, currency dumping, sanctions, aggressive monetary policies, manipulating the prices of commodities, hostile credit ratings, debt traps, infiltration and/or sabotage, financial siege and *Blitzkrieg*. This reality emphasises the importance of deepening the concept of national security, so that it does not overlook geo-financial criteria, in order to develop the ability of envisaging and designing defensive measures.

The disruptive potential of financial warfare can reach devastating proportions. A financial strike can be even more lethal than the actual detonation of a nuclear weapon, especially if it is executed along with force multipliers –such as cyber-attacks, spread of disinformation or special operations–. Without the need to fire a single shot, a national state can be vanquished, the whole fabric of a certain society can be undermined and, in its most extreme form, even a civilizational setback can be triggered.

The Evolution of Monetary Hegemony

Throughout history, the issuance of global reserve currencies is a quintessential attribution of the major powers in the international system. This symbiotic arrangement exemplifies how geo-political and financial means nourish each other. A factor that reinforces this type of hegemonic configuration is that the circulation of a currency with worldwide reach not only entails advantages for the issuer. To a certain extent, it is also some sort of global public good.

Interestingly, since the times of the Athenian silver drachma, the long-term trends illustrate

that there is a strong correlation between the development of substantial –military and trade– naval capabilities and the issuance of dominant currencies. As demonstrated by the case of the American dollar –issued by today’s leading sea power–, this correlation has proved to be enduring.

Nevertheless, hegemonic positions are not perpetual in the financial realm. A loss of confidence in the credibility of the top currency, a conflict of outstanding proportions which disrupts the global geo-political balance of power, the implementation of unsustainable monetary policies in the long run or the growing strength of a competitive challenger might derail the supremacy of a reigning currency.

On the other hand, institutional frameworks play a prominent role in the rise, consolidation, management, decline or transition of monetary hegemonies. Accordingly, the control of the main international financial organisations is a cause of rivalry amongst the powers that are both capable of and interested in boosting their own currencies towards leading positions.

In the grand scheme of things, the hegemonic trajectory of the US dollar –not unlike overall US national power– is being put in the crosshairs. Even though some analysts foresee its continuous superiority well into the 21st century, it is not unwise to consider alternative prospective scenarios in case its supremacy is eventually compromised, such as its replacement by other national currency, some sort of geo-financial multi-polarity, the rise of a multilateral currency, the restoration of the gold standard –or a variant thereof– or even systemic meltdown.

The Role of Strategic Intelligence

Given their ramifications and growing significance in the domain of national security, these phenomena are catching the attention of strategic circles from both state and non-state actors. Consequently, strategic intelligence represents an effective tool for addressing these circumstances, particularly since it offers a long-range analytical usefulness and an interdisciplinary worldview.

For starters, there is an increasing sense of situational awareness amongst the greatest powers’ intelligence communities, perception which is starting to be echoed in their conceptual frameworks, strategic planning processes and execution of operational activities. Likewise, the financial sector is also adapting methodologies derived from intelligence activities, in order to develop the necessary institutional capabilities.

Another instance is that the implementation of monetary policy, essential attribution of modern central banking, is gaining a broader degree of strategic depth, because it is nowadays being formulated not just based on precise technical concerns, but also taking into account geo-political criteria and carried out with the assistance of intelligence methods. As a result, contemporary currency strategists must have a proficient understanding of geo-political factors.

Furthermore, states are employing experience and best practice borrowed from conventional financial intelligence –as is traditionally used in law enforcement– and market intelligence –originally designed by and for the private sector– in the development and optimisation of pertinent mechanisms and procedures for the sequential phases of the intelligence cycle, for both offensive and defensive purposes in the singular geo-financial sphere. This trend embodies the conceptual, institutional and methodological evolution of

classical notions that have prevailed in the field of national security.

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