

# De-Dollarization: Is BRICS a Viable Alternative to the U.S. Dominated World Economic System?

Interview with Asam Ismi of the Canadian Centre for Policy Alternatives

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*Economist and Geopolitical analyst **Peter Koenig** talks to **Asad Ismi***

## **1. Is BRICS (Brazil, Russia, China, India and South Africa) a viable alternative to the present U.S.-dominated world economic system and does it have the potential to replace it? Are we witnessing the birth of a new international economic order in BRICS and the Russia-China energy deal?**

The BRICS have a great potential to become a viable alternative to the dollar dominated economic system. The creation of the BRICS development bank is an indication in this direction. The bank could temporarily even act as a BRICS Central Bank and when the time comes issue a new BRICS currency, for example the Bricso. Together the BRICS account for almost 30% of world GDP and for about 45% of the world population. However, the US is using any means they can to destabilize the BRICS one by one. Take Brazil, though Dilma Rousseff has won easily the first round of elections, but after Washington's slandering her government for corruption and high indebtedness – the usual non-substantiated arguments – her campaign had to work hard until reason prevailed. I'm confident, people's trust will confirm her in the second round.

There is a massive effort of de-dollarization going on by the BRICS, led by Russia and China, the two strongest BRICS members. Since June 2014 regular and sizable ruble – yuan swaps have taken place to free the two countries from the traditional trading currency, the US dollar. In early July this year, after meeting with Vladimir Putin, Elvira Nabiullina, Governor of the Russian Central Bank, declared in an international media event, just before her impending meeting with the Governor of the Central Bank of China in Beijing, "We are discussing with China and our BRICS partners the establishment of a system of multilateral swaps that will allow to transfer resources to one or another country, if needed. A part of the currency reserves can be directed to [the new system]", – thus announcing the emergence of an international anti-dollar alliance.

This signals the beginning of a new monetary system which eventually will issue its own currency, possibly a basket of currency, akin to the Special Drawing Rights (SDR) of the IMF that could gradually replace the dollar as a reserve currency. This is in fact already happening. Ten years ago, the world's reserves consisted to about 90% of dollar denominated securities. Today that figure has shrunk to 60%.

Indeed it is high time that a new monetary and economic system replaces the current FED-

BIS (Bank for International Settlement)-Wall Street dollar denominated predatory casino scheme that has in the last 100 years alone largely contributed to – and benefitted from – two world wars, impoverished our planet, socially and environmentally. This system is at the verge of a larger abyss than the depression of the 1930s.

The global amount of outstanding derivatives is estimated way above 700 trillion dollars – global GDP is about US\$ 72.6 trillion (est. 2014). Five of the largest US banks alone have each more than 40 trillion in derivative exposure. If they decide to call in their debt at one or in part, it would for sure create a worldwide tsunami with a resulting collapse of our western monetary system. Today 6 US banks control two thirds of all banking assets (in 2008 the figure was just over 40%).

Add to this calamity that in 2008 the too-big-to-fail banks were ‘bailed out’ by public money, according to the new Todd-Frank banking Act, future insolvent banks have to rescue themselves by ‘bail-ins’ – confiscating money from depositors and shareholders. A similar law has recently been approved by the European Commission (EC). – The world at large can only hope that a new monetary system will emerge soon to reign in the atrocities of our western greed economy.

## **2. How will the BRICS system be better for the Global South than the U.S. one?**

A “BRICS system” would offer a healthy alternative to the highly indebted and defunct dollar system, where money is printed at will. It would be detached from the Wall Street – BIS clearing system (SWIFT) and would allow trading in countries’ own moneys with currency swap arrangements between respective central banks. Today, though steadily declining, most trading is still denominated in dollars and has to transit through a US bank and the BIS clearing system. Under the FED-BIS-WS banking system currencies – and gold – are subject to exchange rate and interest manipulations.

For example, the ruble has lost 22% of its value since the beginning of 2014 and 15% in the last quarter alone. There is no economic reason for that, other than anti-Russia propaganda and currency manipulation, since the Russian economy is despite the ridiculous ‘sanctions’ on more solid ground than that of the US. Call it ‘sanctions’ – if you will – for not bending to the political demands of Washington on Ukraine. The western MSM would like you to believe that this is the result of the Russian caused Ukraine crisis which is driving investors away. Western media continue to ignore that Kiev’s gang of thugs, a Nazi government, was created and is supported and funded by Washington and its western puppets.

In the meantime, the BRICS and some other countries, including Argentina, have started denominating their contracts and trading in local currencies already some time ago, thereby considerably circumventing exposure to the fraudulent dollar system. A solid alternative currency may also become an alternative reserve currency – a deed for which countries around the world, especially China, Russia and India, have called for years.

Recently Beijing has offered the EU to deal with China directly through respective central banks’ currency swaps, thereby avoiding the oppressive claws of the dollar. Outrageous penalties, like the 9 billion dollar ‘fine’ to the French BNP-Paribas for dealing with sanctioned Iran might not have happened if the US would not have had a claw on the French bank because of its obligation to transit – and hold accounts – in the US banking system.

## **3. What is the potential for a BRICS currency to replace the U.S. dollar?**

The chances are good that a BRICS currency, or let's call it a solid alternative currency based on the combined economy of sound nations will eventually displace the dollar as 'world currency' - in other words as currency of reference and major reserve currency. Once the new money is established with a secure exchange and transaction system, replacing SWIFT, it is very likely that many countries that so far do not dare abandoning the dollar - for fear of sanctions - might join the new money pool, thereby strengthening it. As I said before, it is high time that the currency of worldwide theft, abuse and exploitation - the US dollar - financial instrument for endless wars and economic terrorism, be replaced with a currency of peaceful endeavors that respects national sovereignty - a currency that works for the people, not for the elite of a few.

#### **4. To what extent will the recent Russia-China energy deal undermine the U.S. dollar? Will China pay for Russian gas in Yuan and not the dollar?**

The Russia -China US\$ 400 billion energy deal, signed in May this year will by 2018 have some 38 billion cubic meters of gas flow through the so-called 'Holy Grail' pipeline from the largest gas producer, Russia, to the largest energy user, China - is many things at once: it is, of course a symbolic step in the process of decoupling hydrocarbon trading from the dollar, as it foresees payments in local currencies, rubles and yuan. It sidesteps the traditional dollar denomination for hydrocarbon trading. It is symbolic, because Russia's total hydrocarbon trading per year alone amounts to about one trillion dollars. But it is a demonstration to the world that Russia and China, at the verge of war in the 1960s, are morphing into a strong alliance in trade, politics and defense. In that sense yes, the gas deal is clearly undermining the dollar.

Prior to the signing of this gas treaty, during a special meeting on 24 April, Russian Deputy Prime Minister, Igor Shuvalov, declared that in the future Russian enterprises will be subject to a "currency switch executive order", under which a certain percentage of contracts will be denominated in rubles. Whether and when the level will reach 100% is largely a question of the partners' willingness to deal in ruble. This directive has been enhanced by Russiya Bank's parallel declaration that the ruble is fully backed by gold.

#### **5. What is the significance of the \$100 billion development bank set up by BRICS? Can it replace the World Bank? How will it be better for the Global South than the World Bank?**

For now it is a symbolic step away from the Washington Consensus of the WB and IMF neoliberal approach to development financing - away from privatizing of public goods and services, like water supply and health and education services - I would hope.

The development bank is not yet operational, but from my understanding will likely concentrate on infrastructure development and enhancement (transportation, energy distribution, telecommunication and so on), energy exploration and exploitation, including alternative clean energy - and social services.

The BRICS development bank may initially also serve as a BRICS central bank, especially in case of issuing a combined currency; and perhaps also take over some of the roles pertaining to the IMF, like balance of payment assistance - hopefully with human rather than with the IMF's draconian conditions.

Remember, today China is clearly in the BRICS driver's seat with an interest to harvest the

benefits of the group's synergies and comparative advantages, a collection of countries geographically and culturally apart and distributed around the globe. Their relationships and trading among each other may make the benefits for each larger than the sum of its parts.

Whether the new BRICS development bank will eventually replace the WB and maybe the IMF depends largely on the way the new bank sees economic development, whether their policies and fields of action are attractive to borrowers and address their people's demands. – That means that people clearly do not like to see their corrupt leaders becoming richer, while their water and sanitation services are being privatized, their natural resources being exploited by foreign corporations for a pittance and their government operations being 'structurally adjusted', leaving masses of people jobless, their social safety nets being abolished or stolen, with reduced wages and pensions. These neoliberal pro-cyclical policies should definitely not be part of the new BRICS economic development bank.

## **6. Please comment on the significance of the recent meeting of the Shanghai Cooperation Organization and its expansion to include India, Pakistan and Iran.**

The 13<sup>th</sup> annual summit of the Shanghai Cooperation Organization – SCO – held in Dushanbe, Tajikistan on 11-12 September, may be a hammer for the west. It was attended by the heads of state of Russia, President Putin, China, President Xi Jingpen and Iran, President Rouhani. The group's membership, currently consisting of China, Russia, Kazakhstan, Tajikistan and Uzbekistan is poised to be expanded to include India, Pakistan and Iran. Mongolia is another likely candidate.

The Oriental Review, an Open Dialogue Research Journal, reports, "The reasoning behind the need for expansion is obvious. If the SCO is to have real weight on the international arena and become a truly prestigious organization that is able to rival NATO, it requires additional members. If India, Pakistan, Iran and Mongolia were all to become permanent members, which looks likely, the group would then control 20 percent of the world's oil and half of all global gas reserves. On top of that, the bloc would represent about half of the world's population. This would fortify SCO's reputation as a dominant organization. Additionally, Turkey could become a member as well. Its leadership has long been seeking to join and Turkish-speaking governments are likely to support their petition."

If Turkey, a NATO member, would join the SCO, this would clearly be a conflict and nail in NATO's coffin – a blow to western powers.

The journal goes on – "The aggressive nature of Western actions towards Russia has certainly united the SCO members. What links them all – whether members or observers – is the rejection of Western-dominated institutions, such as the World Bank or the International Monetary Fund, which are all US-based. The SCO, like the BRICS with their Development Bank, sees itself as a forum against the Western dominated global order."

The SCO summit concluded that economic cooperation between members should be enhanced, which includes further economic integration. The concept bodes particularly well for China's idea of a new Silk Road Economic Belt that might expand westwards to include Germany, as per a personal proposal of President Xi to Madame Merkel in March 2014.

Hence, the Oriental Review concludes and I concur, the ambition to create a truly dominant organization free of any Western influence may become a reality in the near future. I would like to add – this cannot happen fast enough in order to stop US-led western aggressions

and financial terrorism around the world.

## **7. Are the recent U.S. war moves in Syria, Iraq and Ukraine and the U.S. pivot to Asia aimed at preventing the consolidation of alliances such as BRICS?**

These moves – or rather military aggressions – have multiple purposes. A primary purpose is ‘regime change’ of all those governments which do not align with Washington’s imperial ideology. In the Middle East, and elsewhere for that purpose, the idea is to sow chaos and strife between different ethnic groups and religions. Make no mistake, the ISIS, the latest so-called ‘terror caliphate’, and all its predecessors – were and are all created and funded by Washington. Their purpose is to destabilize countries and then to justify US intervention to ‘salvage’ what’s left of the mess.

In other words, to bring about ‘regime change’ – just see the recent turmoil in Iraq and Syria – and to some extent also Ukraine. In Ukraine the White House literally orchestrated a coup in February this year and installed, financed and armed a regime of Nazi thugs in Kiev which is now committing the most atrocious war crimes in the eastern Ukraine Donbass area, killing thousands of civilians – so far more than 3,700 – mostly women and children and causing a flood of so far more than 1.2 million refugees into Russia. In this latter case the ‘pivot’ to Asia is expanding NATO basis ever closer to Moscow’s doorstep – and to take over – like in looting – an extremely resource rich country that has been the cradle of historic Russia. Obviously, Mr. Putin, the Kremlin and the Russian people do not like to see this vicious take-over of their brothers and sisters and their ancient lands.

But there is more to destabilizing the BRICS and the pivot to Asia — practically maneuvering of Ukraine into civil war, planting chaos in Iraq, Afghanistan, Libya, Somalia, Sudan, Syria — than meets the eye. It is the end game, full spectrum dominance – the full achievement of the PNAC (Plan for a New American Century) – meaning complete control of the world’s resources, people and economies. Already in the 1970s Henry Kissinger, one of the patriarchs of elitist and neoliberal thinking and perhaps the greatest war criminal still alive, spoke these infamous words, “Who controls the food supply controls the people; who controls the energy can control whole continents; who controls money can control the world”. These words resonate today stronger than ever.

## **8. How fragile is the U.S. economy? Is it in danger of collapsing soon due to its heavy debt load?**

The US economy is as fragile as can be. It is basically a balloon of hot air, ready to implode. This is partly due to its enormous debt – 105% of GDP (US\$ 17 trillion, est.2014) – and unmet obligations – 127 trillion, about 8 times GDP; no other country in the world has this level of actual debt and foreseen but uncovered obligations.

Today the economy of the United States is a mere house of cards. It consists to more than 50% of the war and security industry and related services and industries. In other words, the US has a GDP of destruction – with the hope that after a country has been destroyed to rubble, its citizens killed or reduced to misery – US corporations will be called to rebuild and rescue what’s left. As per Robert Zoellick, former World Bank President ..... “As in Iraq, we hope to be part of rebuilding Libya, when the war ends” – and we all know who controls the World Bank.

As the world at large takes gradually note of the emptiness of the US economy, of the



nakedness of the US emperor, so to speak, people and countries are wishing and hoping – some are even calling – for an alternative monetary and economic system, as their reserves and international contracts are in peril.

Adding to the fragility of the US economy is its banking system. As mentioned before, it is again at the verge of a collapse – this time with considerably more serious consequences than in 2008 of which repercussions are still felt today around the globe – 6 years later. – Many ‘expert’ estimates predict a stock market slump of up to 70% in the very foreseeable future, vs. about 50% in 2008. Consequences of unemployment, housing dispossessions, hunger and disease – sheer misery are unfathomable.

However, there is a strong feeling that these cyclical economic collapses and disasters are not just unpredictable random events inherent in our economic system. They are rather planned events – planned by the masters of the system – the FED, Wall Street, BIS, the financiers of this world – so that the rich can get richer and the poor will get poorer. This phenomenon was already observed during the economic slump of the 1930s. The middle class is diminishing. The abyss between rich and poor grows worldwide – towards a world of a distinct corporate and finance elite and a mass of serfs to scurry about complying with the wishes and desires of the masters.

But it’s not too late. We the People can stop it. We must wake up and become conscious.

## **9. Is there anything else you consider important and would like to add?**

People beware of the Mass Media and their outrageous lies!

The Mainstream Media, or commonly called MSM, is a weapon as criminal and killing as the US / NATO war machine with its European puppets. The MSM are in the hands of 6 giant Judo-Anglo-Saxon media corporations. They literally control 90% of the information officially dished out to the common citizen. Their news are copied and replicated throughout the world, translated into whatever language is suitable and needed.

They work and are paid for the financial and corporate elite, especially the military / security and financial complex. – They dupe people into believing that they are in pursuit of peace, protecting you from terror, preventing villains like Russia and China from taking over the world, when in reality it is thanks to Russian and Chinese diplomacy and economic pressures that the world has so far escaped WWIII.

Already Goebbels, Hitler’s Propaganda Minister, said – A lie repeated often enough becomes the truth.

That’s the level of lying we are exposed at today – far surpassing Orwell’s 1984 doomsday scenario. Our thinking has been brainwashed and manipulated to the point where a lie is more comfortable and easier to believe than the truth.

There are few media that are worth watching or listening to. One of them is TeleSur of South America, with home in Venezuela. It broadcasts around the world, has top reporters and journalists stationed and reporting directly from the hotspots, with in-depth analyses, connecting the dots and areas of interest – something that is hard to find these days. TeleSur can be seen in most of the Southern Hemisphere, including in parts of the US, and everywhere on internet.

We have to wake up - awaken to a consciousness of peace and solidarity - seeking the truth from uncommon sources, like the present one, TeleSur and others on internet, rather than submitting to the steady drip of indoctrination by the mainstream media.

Becoming conscious of people, societies, the environment - the truth around us - that's my wish for humanity.

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