

ECUADOR. MARIANO SANTOS N.

The New Capitalist Economic-Financial Order

The war in Ukraine has important significance for the capitalist world.

The unrestrained obsession of US imperialism to impose sanctions, left and right, on countries that do not submit to its designs has created a very important reaction in capitalism itself, basically in "eastern" capitalism.

To implement their "punishments," for some years the US has been using SWIFT (acronym for Society for World Interbank Financial Telecommunication). Founded in Brussels in 1973, it helped establish a common language for financial transactions, a system for processing shared data and a global telecommunications network; but it wasn't until 1977 that the first SWIFT message could be sent.

This SWIFT network, controlled by the US, is a crucial strategic economic-financial tool for the integration of services such as interbank payments, investments, transfers, foreign trade, etc., which processes more than 10 million messages per day between 8,000 financial institutions located in more than 200 countries, available 24 hours a day, 7 days a week.

It was precisely during those years that the US president, Richard Nixon, put an end to the convertibility of the dollar with physical gold, on August 15, 1971. This was announced as a temporary measure, which as we will see later, was an atrocious lie. Going back in history, Bretton Woods, a small tourist town on the east coast of the United States, was the site chosen for the development of the Monetary and Financial Conference of the United Nations, ending (in 1944) the Second World War. There agreements were signed that shaped the post-war economy, with the creation of two key institutions: the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development, known today as the World Bank (WB), both based in Washington.

This momentous agreement was the one that decided to fix the dollar as the world's reference currency; the dollar-gold standard caused all countries to value their currencies in relation to the dollar, which, in turn, was an anchor or guarantee to be convertible into gold at a fixed price: \$35 per troy ounce (equivalent to 31.1 grams). A new US-led world monetary system was then put into place which enshrined the US dollar as the only currency convertible into gold, therefore as the only international currency. Thus, the different currencies of the world began to trade against the dollar (and not against gold), and their fixed exchange rate was determined by the amount of gold that a country had stored in the Federal Reserve.

Other currencies could be devalued against the dollar, which was equivalent to being devalued against gold. However, the dollar could not devalue itself, at least in theory. It was the cornerstone of the entire system meant to be permanently anchored to gold.

Over the years, it became clear that the amount of dollars circulating around the world was much higher than the amount of gold available in the security vaults of the US military fortress of Fort Knox. What followed after a series of scares and repeated financial crises was a bank panic; actions and protest movements from all sides, questioning the amount of US gold reserves, movements led by Charles de Gaulle, then president of France and with many countries demanding that the US return their gold stored there, since they considered that a real global scam had been committed.

From there, the US sought "refuge" to maintain the dollar as the dominant hegemonic currency, first in oil, with the PETRODOLLAR, then with drugs, the NARCODOLLAR¹, which partially helped somewhat, but that to this day and after several countries began to stop using the dollar as a currency for buying and selling, the US empire began to collapse.

Throughout this period, since the abandonment of the gold standard (1971), the US has not ceased to print more and more banknotes, which for some months has been creating a galloping inflation (even before the conflict in Ukraine), which, as of June 2022, reached 9.1%, although some US analysts speak of double-digit inflation, which is hidden by the US authorities. A similar scenario has been experienced in European countries, with a currency tied to the dollar, that is, without any tangible support, where year-to-year inflation for June was 8.6%, a value that was not been seen, as in the US, for more than 40 years.

With the abandonment of the gold standard, the US has been carrying out a gigantic theft of the entire planet, a figure that the Mexican political scientist Alfredo Jalife-Rahme estimates at \$10 TRILLION (\$10,000,000,000,000) annually, equivalent to almost half of the Gross Domestic Product (GDP) of the United States (\$24.7 trillion by 2021 according to IMF). Without the dollar system, U.S. wealth would be well below that of China and almost tied with Japan and Germany, the political scientist stressed.

With these scandalous amounts of world plunder, US imperialism had the luxury of waging war (invasions) in several nations of Africa, the Americas, Asia and Europe; to arm to the teeth this warlike and robbing entity such as NATO, which should have disappeared at the same time as the disappearance of the USSR, with weapons (including nuclear ones) sold mainly by the US themselves. This was also a period in which they established no less than 1,000 military bases in numerous nations on all continents. Its hegemony with the dollar facilitated, on the other hand, the planetary control of transactions, money transfers between countries, through the aforementioned SWIFT system, which allows it in an otherwise illegal and illegitimate way, to impose sanctions everywhere.

New economic-financial order?

Once the war started, NATO, US and European sanctions against Russia began. However, the consequences are quite negative not only for the parties to the conflict: Russia and Ukraine, but for the very instigators, the United States-Europe, but which also affects several countries on other continents.

The fundamental purpose of the sanctions was to cause an economic collapse of the Asian Euro giant and to prevent it from financing the war.

Thirty days after the start of the conflict, Joe Biden announced "unprecedented sanctions that would almost immediately reduce the ruble to rubble."

The sanctions included precisely the partial disconnection of Russia from the SWIFT system (which allows, among other things, the transfer of money between countries), the freezing and immobilization of the international reserves, dollars, euros and gold from the Central Bank.

Russia, it seems, is the most sanctioned country in the world, more than North Korea, Iran and even Cuba; there is talk of more than 7,000 sanctions and, apparently, they have been prepared, especially since 2014, after the annexation of Crimea.

As part of the trade, economic, financial, etc. war, and in response to the numerous sanctions, Russia announced a measure that is upsetting the world's financial economic chessboard, when on March 23 Putin said that the countries that Moscow considers "hostile", including the 27 members of the European Union (EU) and the US itself, have to pay in rubles for gas, since last April.

Gazprom bank, linked to the largest gas company in the world, the Russian Gazprom and one of the only 2 Russian banks that hypocritically and cunningly has not been sanctioned nor disconnected from the SWIFT system, opened 2 accounts to buyers, one in euros and one in dollars, which their customers deposit into and, another in rubles, that the bank changes according to the listing on the Moscow stock exchange. With these rubles, the bank pays in rubles to the seller Gazprom.

In this way, the purchasing countries are obliged to have euros and dollars, but in Russia, in the

mentioned bank, to acquire gas and oil they must have large reserves in those currencies.

Why in Russia?

Because simply, starting with the sanctions after the invasion of Ukraine, Europeans and US began to freeze, that is, seize all those payments in European and American banks; in other words, the rusos were "selling" their gas and oil for FREE. They even went further, when they froze and seized 50% of Russia's international reserves in both dollars and gold, equivalent to around \$300 billion. However, these acts of gigantic piracy, in the 21st century, are not the first time they occurred; let us refresh the memory with some others: against Iran in 1979; Iraq, 1990; Yugoslavia, 1991; Zimbabwe, 2002; Burma, 2003; Syria, 2004; Libya, 2011; Venezuela, 2019; and, recently, Afghanistan, 2021, all of them perpetrated by the US.

Credit Suisse, one of Switzerland's largest banks, stated that the new world order would require a new financial order, as the transition from payment with national *currencies* would undermine the role of the dollar. It went on to say that the blockade of Russian currency funds called into question the reliability of U.S. Treasury bonds. Yes, more than \$8,000 million of the Ecuadorian reserve are "invested" in those US bonds; if a popular government, of the left, comes to Ecuador, not very friendly to the US, what would happen to our money?

"We don't want to depend on a system whose masters can steal your money overnight," the Russians complained. It is then that Russia took another giant strategic step, when he made an important decision to anchor the ruble to gold, that is, we are returning to 1944, to Breton Woods. The exchange rate is fixed, as in 1944, but, with 5,000 rubles for each gram (no longer in ounces, which is a US measure of weight) of gold, a rate valid until June 30, which could then be variable. This caused the ruble to be reevaluated, because from 143 rubles per dollar the Russian currency fell, at the beginning of the war and after the sanctions, it recovered to 100 at the end of March, to stand at around 80 per dollar, which is the listing it had before the war.

These days, the ruble maintains its strength and its price against the dollar is about 60 rubles per dollar, reaching its historical highs; the same thing happened to its price against gold, which stands at 3,454 rubles per gram of gold, becoming the currency with the best performance in the world in 2022.

"What we are seeing right now looks like the birth of a new, multilateral monetary system backed by gold and raw materials," Ronan Manly, a precious metals analyst at BulionStar, Singapore's top bullion distributor, said in an interview with RT. This would represent the beginning of the end of the 50-year-old blackmail system, the era of the petrodollar, of the narco dollar. With this fixed parity between the ruble and gold and Moscow's decision to accept payments for the supply of Russian gas only in rubles, this hydrocarbon is now also linked to gold through the ruble. Thus Russia could start accepting gold directly as payment for its gas exports, which could also be applied to oil or any other raw material, such as minerals, inputs and agricultural products (food), etc.

On the consequences for other currencies, the Western sanctions, such as the freezing of most of Russia's foreign exchange reserves that "made it clear that property rights over foreign exchange reserves abroad may not be respected" and if Moscow accepts the payment for oil in gold, will be followed by other natural gas and gold producing countries such as Iran, Saudi Arabia, United Arab Emirates, Qatar, Venezuela, Brazil, China, Mexico, Nigeria, etc., giving rise to a new multilateral monetary system.

The same Swift system would begin to lose its hegemony, since Russia and China already have a similar transaction system for their bilateral trade, more and more countries are examining the introduction of payments in national currencies: in particular, Russia does this with China and India, Iran with China, Saudi Arabia is going to do it with China, the member states of the Eurasian Economic Union

have already agreed to do so. Russia is also examining this method of payments with its allies in Asia and Africa. Even the BRICS, a bloc of countries made up of Brazil, Russia, India, China and South Africa, want to launch a currency, free of tariffs, that would replace the dollar.

Thus, with what happened around the current conflict, it seems evident that the United States in decline, in the face of other, rising powers, such as China and Russia, fell into its own trap, which will lead it to the death, which was already seen coming, of the old unipolar order and creating a rapid transition to a multi-dollar world, the emergence of which the United States wanted to avoid with blood and fire. Will the dollar continue to be the hegemonic currency? It seems that it will not, and, rather, gold aims to recover its hegemony of yesteryear.

What is certain is that we are currently witnessing the birth of a new world economic-financial order, a place in which the inter-imperialist struggles of the West will be unleashed, with the US, the EU and other Western countries vs. the Eastern bloc, headed by China, Russia, the BRICS and others.

Notes.

1. U.S. Withdrawal from Afghanistan, Dollar and Drugs, Mariano Santos, *Periódico Opción*, September 22, 2021. <https://periodicoopcion.com/salida-de-eeuu-de-afganistan-dolar-v-drogas/>