



## To reunify, rewind to Bretton Woods, ‘American System’ principles (Step Three)

By Elisa Barwick

Over recent decades China has extended its development model to the world, by offering the Belt and Road Initiative (BRI) as the basis for cooperation. The vision for a latticed network of major infrastructure projects has also established China as the world’s largest official lender, providing an alternative financial pathway to post-World War II financial institutions, the International Monetary Fund and World Bank. AAS documented this in “[Rewriting the rules of international finance, Step One](#)” (AAS, 12 Oct. 2022). In “[Replacing hegemonic order with multilateral consensus \(Step Two\)](#)”, (AAS, 9 Nov. 2022) we noted important steps that Russia had taken to consolidate trade arrangements that would function independently of the US dollar, which has been increasingly exclusionary, notably in relation to Russia itself, but also other sanctioned states such as Afghanistan. New economic arrangements, which focus on nations’ ability to obtain the physical necessities for existence, are being unrolled rapidly, as recently updated in “Amid financial shakeup, a new architecture is coming together” and “The US dollar reckoning” (AAS, 5 April). Diplomatic initiatives from China and Russia are also contributing to the shaping of a new economic framework, as reported in “Global majority follow China, Russia to exit neoliberalism” (AAS, 29 March).<sup>1</sup> The economic and diplomatic initiatives overlap. During a trip to Turkey on 7 April, Russian Foreign Minister Sergey Lavrov commented that any peace deal in Ukraine must first take into consideration “what the principles of the new world order, which we all need, will be based on”.

To recap recent developments: Russian leaders have foreshadowed discussions of a new “BRICS common currency” for trade purposes, at the August summit of BRICS in South Africa (Brazil, Russia, India, China, South Africa); an agreement was reached between China and Brazil to conduct trade in Chinese currency, the yuan, using China’s CIPS settlement system rather than SWIFT (since then, China’s Industrial and Commercial Bank, has conducted the first cross-border yuan settlement transaction in Brazil via its local branch); China and France have made their first energy purchases from the UAE in yuan; earlier in the year, the Saudis and Chinese agreed to trade oil in yuan, also using CIPS.

Brazilian President Luiz Inacio Lula da Silva’s visit to China will enhance cooperation between not only China and Brazil, but potentially all of South America. Lula’s naming of former Brazilian President Dilma Rousseff to head the BRICS New Development Bank is another signal of the intention for a new financial order oriented to real economic growth (p. 13). African nations, especially South Africa which is hosting the BRICS summit in August, have repeatedly signalled their intention to be an integral part of a new economic and strategic order.

Malaysian Prime Minister Anwar Ibrahim visited China in early April, discussing the move away from the dollar using the ringgit and yuan for trade, proposals for an Asian Monetary Fund, and local BRICS projects. Russia and Vietnam



have agreed to develop a detailed roadmap for cooperation on payments in national currencies as well as infrastructure development.

(All of this is to indicate that the basis for the new financial order desired by the “global majority” or “global south” will be real economic exchanges and growth of the real, physical economy.)

According to Bloomberg, the US dollar is no longer the most traded foreign currency in Russia; the yuan outstripped the dollar in monthly trading volumes on the Moscow Exchange for the first time in February 2023. It is likely that the Chinese currency will also overtake the combined total trading volumes of the dollar *and* the euro before year’s end.

Recognition that the old era has ended is beginning to impinge even on bankers at the heart of the old system. “It’s no longer a unipolar world”, a leading financial strategist at global investment bank RBC Capital Market (Royal Bank of Canada) told the *Financial Times* on 3 April. (Note that Putin has stressed that Russia, as China, does not wish to replace that order with a new hegemon, whether “a bipolar, tripolar or other dominating order”.)

The next, and perhaps most crucial step, however, in establishment of a new financial order, is agreement among the world’s major nations. This means a de-escalation of tensions between Western nations and Russia-China. This is possible, if leaders in the USA and UK realise that it is also in their interests to reform the US dollar system. This may not seem especially likely, but the disintegration of the current banking system puts it squarely on the table. The US dollar system, developed after the takedown of the Bretton Woods monetary framework in 1971, which was designed by US President Franklin Roosevelt to foster a stable international environment for physical production and trade (to move the goods to where they are needed) while preventing financial and currency speculation. Today’s US dollar order, in contrast, is a creature of Wall Street and City of London bankers who disconnected it from the real economy, undermining the Bretton Woods system by developing offshore banking zones in the 1950s outside of the jurisdiction of any single nation, *specifically in order to foster speculation*. This was accompanied by innovations such as the “petrodollar” (solely using the US dollar for oil sales), which entrenched the dollar’s power but is now crumbling. (See “[Who ended the Bretton Woods system and opened an age of infinite speculation?](#)”, available at [citizensparty.org.au/australian-alert-service-feature-articles/economic](http://citizensparty.org.au/australian-alert-service-feature-articles/economic))

A crucial contribution to this debate was raised at a special session of the Moscow Economic Forum held 4-5 April, by Sergey Glazyev, Minister for the Integration and Macroeconomics of the Eurasian Economic Commission. He urged nations,

1. All three articles available in “A new financial order is forming”, at [citizensparty.org.au](http://citizensparty.org.au)

in particular his own, to examine China's unique economic model and learn from it. Referencing his new book, *Chinese Economic Miracle. Lessons for Russia and the World*, he emphasised China's successful investment policy, which places production and development ahead of the mere *monetary* footprints of those primary processes. As AAS has documented ("China's Glass-Steagall standard", AAS, 25 July 2018), the

Chinese model is based on the national credit mechanisms of the American System of Economics, exemplified by US Treasury Secretary Alexander Hamilton's First Bank of the United States. If the USA returned to its roots, it would quickly discover a commonality with China's approach, making a Bretton Woods agreement for a new era possible. (See the Back Page Feature for more on the Chinese model.)

## Brazil, China set course for new international order

By Elisa Barwick

Brazilian President Luiz Inacio Lula da Silva has made a clarion call for a new financial order that is fair for all nations. This is urgent for developing countries that have been under the boot of Bretton Woods institutions—the International Monetary Fund and World Bank—debased after US President Franklin Roosevelt died and his vision for a just world order was slowly crushed (p. 12).

President Lula visited China on 12-14 April after rescheduling his trip due to illness. In his meeting with Chinese President Xi Jinping, Lula declared that "Brazil is committed to building closer relations with China from the strategic perspective of shaping a just and equitable international order", according to the Chinese Foreign Ministry account. The two Presidents discussed economic cooperation to benefit the world and how they can contribute to a peaceful settlement of the Ukraine-Russia conflict, stressing the need for dialogue and negotiation.

A memorandum for Brazil to formally join China's Belt and Road Initiative was a topic of discussion, but not yet concluded. Ahead of his trip, Lula said he would invite Xi to visit Brazil so he could "show him the projects that interest us—what we want to build in partnership with the Chinese ... so they can invest in things that don't yet exist—a new highway, railroad, hydroelectric dam, anything that means something new for Brazil." He emphasised that he intends to have a very strong foreign policy and wants "to create an external political front. ... Brazil has to be an international protagonist."

The trip coincided with the investiture on 13 April of former Brazilian President Dilma Rousseff as the new president of the BRICS New Development Bank (NDB). This took place at the bank's international headquarters, in Shanghai. Rousseff was thrown out of the presidency in 2016, the same year the NDB was initiated, as the result of a politicised impeachment proceeding which amounted to a coup by enemies of the BRICS and its vision for a new financial system.

In his speech, Lula noted the bank's creation as a milestone marking the unity of emerging nations, contributing to development funding "free ... from the shackles of conditionalities imposed by traditional institutions", adding, "with the possibility of financing projects in local currency". He called for reform of the UN, IMF and World Bank and for using the G20 and BRICS "creatively" to put the requirements of the developing world on the agenda. The NDB "meets all the conditions to become the great bank of the Global South", he affirmed.

Lula told the gathering that "No bank should be asphyxiating countries' economies the way the IMF is doing now with Argentina, or the way they did with Brazil for a long time, and every third-world country." Nations have become hostages of international lenders, he said. Lula reflected that change promised in the Group of 20 forum after the 2008 global financial crisis never happened and that banks are still making money out of selling paper, so lawfully they are again going bust. He suggested that BRICS nations finance trade in their own currencies through the BRICS bank, so nations don't have to "chase after dollars to export".

At the same time, Argentina's Finance Minister Sergio

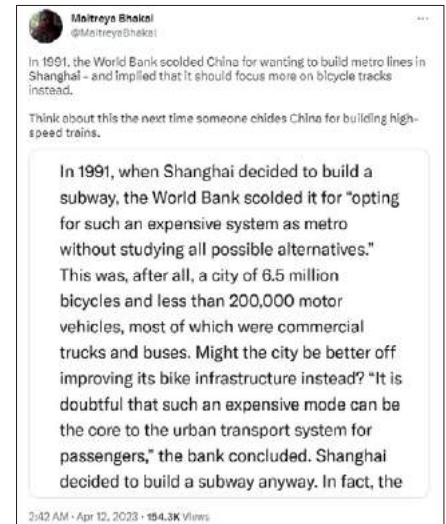
Massa was in Washington to renegotiate the terms of the IMF's US\$45 billion Extended Fund Facility. Both Argentina and Brazil have been under significant US pressure not to sign economic agreements with China. While Lula was in China, US Deputy Secretary of State Wendy Sherman was in Argentina telling them to stay clear of agreements with China, instead insisting the country must be prepared for "shorter term pain" to get its financial house in order and "improve conditions for foreign investors"! Lula's assertion that the agencies of the Washington consensus like the IMF are "holding a knife to [Argentina's] neck" is accurate indeed.

In her speech, Rousseff also addressed correcting this situation: "As a former President of Brazil, I know the importance of the work of multilateral banks to support developing countries, particularly NDB, in addressing their economic, social and environmental needs. Becoming the president of the NDB is undoubtedly a great opportunity to do more for the BRICS, the emerging markets and developing countries, and my own country—Brazil."

At a roundtable of the NDB after the investiture ceremony, to loud applause Lula declared: "Every night I ask myself why all countries have to base their trade on the dollar. Why can't we do trade based on our own currencies? Who was it that decided that the dollar was the currency after the [1971] disappearance of the gold standard?"

A Joint Declaration between China and Brazil stated that the countries will explore cooperation for development, including via the Belt and Road Initiative. Fifteen bilateral commercial and partnership agreements were signed, worth US\$10 billion, while 20 new business agreements were signed between Brazilian and Chinese companies, in addition to 20 others signed by Brazilian businessmen already in China in March, when Lula had to postpone his scheduled visit.

Lula also angered all the usual suspects by meeting with representatives of Chinese telecom company Huawei, and by insisting in regard to the Ukraine-Russia situation that "The United States needs to stop encouraging war and start talking about peace." On his way home Lula stopped over in the United Arab Emirates, which recently commenced transacting with China in yuan, the Chinese currency.



If left to the World Bank, China would never have developed; now it offers an alternative to the IMF-World bank model. The source of this quote is "High-Speed Empire: Chinese Expansion and the Future of Southeast Asia" by Will Doig. Photo: Twitter