FORVM GEOPOLITICA
Independent Commentary on a Fractured World

Israel's proxy war against BRICS

This war is by no means over due to the current "ceasefire" – only the means employed are changing. On the one hand, the geographical/geopolitical goals remain the same. On the other hand, however, the main aim is to prevent the decline or end of the American financial empire.

Andreas Mylaeus

Fri 04 Jul 2025

Introduction

The first part of this series dealt with the geographical/geopolitical context. This second part examines the strategy of the financial empire through King Dollar, which is being threatened by BRICS & Co.

The hybrid war waged by the US with the help of its proxy Israel serves not only to prevent the geostrategic integration of Eurasia, but above all to halt or even reverse the decline of the financial empire with theww primacy of the dollar, which is the very foundation of the "sole superpower's" rule. Iran is the focus of attention because its very existence as a sovereign state that the US cannot control poses a threat to the US. Economically, Iran is also key to controlling the entire Middle East and the entire trade surplus that oil from the Middle East brings to the Western financial system.

The US is trying to turn the Middle East into a client economy, just as it did with Latin American economies for so many years. This is not just about controlling oil as a raw material. Even more important is the role that the oil-producing countries of Western Asia play in the dollar-based Western financial system on which the American empire is founded.

Preparation for the dominance of the dollar after World War I

The roots of the creation of an American financial empire can be found at the end of the First World War. The US had granted Britain and France extensive loans for this war. Even after the Napoleonic Wars, it had been customary for allies to forgive each other's debts for supplying armies and providing the financial resources. But this time, the United States rejected this request on the grounds that it had been a neutral state before entering the war and that these debts had to be repaid.

However, because Great Britain and France were bankrupt, Germany was made to pay through reparations. As agreed in the Treaty of Versailles, the Allied Reparations Commission set the total amount of Germany's reparations debts at 132 billion gold marks in 1921. This sum was roughly double Germany's gross domestic product at the time. Germany made its last interest payments from the First World War on October 3, 2010. All this money ultimately ended up in the American financial system via the so-called "transatlantic debt chain."

In the period between the two world wars, despite the global economic crisis, the US became the world's leading industrial nation and dominant creditor thanks to its robust, technologically advanced and industrialized real economy. The gold standard, which was still in place at the time, helped the US accumulate enormous gold reserves. According to estimates in the *Tenth Annual Report of the Bank for International Settlements for the Year April 1, 1939 – March 31, 1940*, the US held about 70% of the world's gold reserves at the beginning of World War II (worldwide gold holdings (monetary): about 30,000 tons, US gold reserves: approx. 19,500–20,000 tons).

Dollar dominance after World War II

After the end of World War II, the US secured unprecedented financial supremacy thanks to these huge gold reserves and what was still high industrial production at the time. This “gold dominance” was the basis of the dollar's hegemony. In addition, many countries had transferred gold to the US during the war to protect it from the turmoil of war or to finance their trade. Countries that accumulated dollars could exchange them for gold at the US Federal Reserve.

The Bretton Woods System

In July 1944, the US summoned delegates from 44 countries to the Mount Washington Hotel in Bretton Woods, New Hampshire, USA. There, they “agreed” on fixed but adjustable exchange rates (no more arbitrary devaluations) and the US dollar as the reserve currency, directly linked to gold (35 dollars per troy ounce of gold). All other currencies were thus pegged to the dollar via fixed exchange rates.

John Maynard Keynes' counterproposal was discussed at Bretton Woods at the time, but rejected. Today, something is flaring up again that is now at the center of the hybrid war waged by the US against the de-dollarization of BRICS and the global majority. Therefore, this should be briefly outlined:

John Maynard Keynes recognized as early as the 1930s that a gold standard alone was not enough to ensure a stable global economy. His proposal was an international currency as a supranational currency. The *Bancor* was not intended to circulate as cash, but to serve as a book currency for trade between countries. All countries would have settled their exports and imports through an international clearing house, the International Clearing Union (ICU). Export surpluses and deficits would have been recorded in *Bancor*. No country would have had to hoard huge foreign exchange reserves in gold or dollars.

Keynes' model was intended to ensure that it was not only deficit countries (with trade deficits) that came under pressure. Surplus countries (with huge export profits, such as the US at the time) would also have had to take compensatory measures, for example by revaluing their currency or increasing imports. The aim would have been to create an automatic mechanism that would reduce global imbalances.

However, in 1944, the US was by far the largest creditor power and export nation. A system that would have forced it to reduce its trade surpluses was not in its interest, so instead it pursued a plan to force other countries to hold the dollar as a reserve currency.

Given this balance of power, Harry Dexter White prevailed with the dollar-gold system – Keynes' *Bancor* remained nothing more than a vision. However, this "specter" keeps reappearing. As Marx and Engels wrote in the Communist Manifesto of 1848, "A specter is haunting Europe—the specter of communism." The implementation of Keynes' vision for today's financial empire would have a similar effect, destroying the system.

The IMF had introduced a kind of mini-Bancor in the form of special drawing rights (SDRs) – but not in the role Keynes originally intended. This was also discussed during the euro crisis. Recently, however, Donald Trump threatened China and every other country in the world with serious consequences if they continued to pursue or even implement this idea of de-dollarization.

A side note: John Maynard Keynes was a marginal figure in terms of power politics when the aforementioned decision on the future financial system was made in Bretton Woods. He was a brilliant theorist, but "only" a pure academic with no political or economic power base. That is why he survived this intellectual struggle, in which he was defeated. Others who had similar ideas and plans and who could have drawn on a relevant power base to implement them were less fortunate—think, for example, of John F. Kennedy, the 35th President of the United States of America, or Alfred Herrhausen, spokesman for the board of Deutsche Bank and thus head of "Deutschland AG" and economic and geopolitical advisor to Helmut Kohl.

In 1944, the power of the US was still so overwhelming that Keynes' model could be rejected without resorting to military action, overt intelligence activities, or threats of economic sanctions.

From then on, the dollar was *as good as gold*, cementing the USA's position as the world's leading power. This was further reinforced by the establishment of the International Monetary Fund and the World Bank.

The actual birth of the American financial world order

This gave the US global supremacy, but it did not make America a true financial empire, because in the 1960s the system came under pressure and threatened to collapse.

The crisis began in 1950/51 with the Korean War. The costs of this war led to a sustained balance of payments deficit for the US for the first time. The US's suppliers and creditors received dollars in return, which they then exchanged for gold.

This crisis continued in the 1950s and 1960s with the wars in Vietnam, Cambodia, and Laos. As early as 1963, voices warned that the massive increase in spending would jeopardize the gold standard of the dollar (Seymour Melman, A Strategy for American Security, Saturday Review, 1963). Here is a quote from that article:

> 4. **American Dollar in Jeopardy—Can Flight of Gold Be Halted?** **7**
> **by Terence McCarthy**

The proponents of war had the problem that gold must be thought of as the "peaceful metal." Because if countries have to pay their balance of payments deficits in gold, any country that spends heavily on the military and wages war will always be faced with high deficits. At some point, it would run out of gold and lose its power in a gold-based system. This is exactly what happened to the US in 1971 when it went from being the world's largest creditor to the world's largest debtor. There were well-founded doubts as to whether the US would be able to continue dictating fundamental economic decisions for the rest of the world.

However, given that the US had no intention of abandoning the war effort, President Nixon announced in a nationwide television address on August 15, 1971, that the US would "temporarily" (in fact permanently) suspend the exchange of US dollars for gold by foreign central banks. He closed, as they say, "the gold window." The US Treasury and the Federal Reserve no longer exchanged dollars for gold.

The vaults in Fort Knox and elsewhere remained locked, and physical gold transfers abroad were halted.

This move was widely seen as a defeat for the American financial system because it looked as if the US was declaring itself virtually insolvent, or at least in a genuine currency crisis. The US promise in the Bretton Woods system had been stability through fixed exchange rates, guaranteed by the "gold-backed dollar." By closing the gold window, the US unilaterally broke this central promise. Confidence in the US as the guardian of monetary stability suffered a huge shock. Many countries felt betrayed because they held dollar reserves that could suddenly no longer be redeemed for gold. The dollar plummeted.

In the end, though, this "liberation" turned out to be the birth of the real financial empire of the US. Even without gold backing, the dollar stayed strong because, in 1971, it was still backed by the economic, military, and geopolitical power of the US. The central banks of the rest of the world were now forced to invest their export surpluses and currency reserves in short- and long-term US government bonds (US Treasuries) instead of gold, which they could no longer obtain from the US. These securities (IOUs – promissory notes) became the new "safety anchor" of the global financial system.

On the one hand, this meant that the US could now theoretically print unlimited amounts of dollars (*fiat money*) to finance budget deficits.

On the other hand, the US achieved what Michael Hudson calls the "Treasury bill standard of the international financial world".

As a result, with the help of central banks around the world, the US balance of payments deficit provided the dollars needed to finance the US budget deficits and credit creation.

This turned the US into a financial empire, because other countries were forced—for lack of alternatives—to integrate themselves into this entire financial system and thus also into its tax system, its fiscal system, and its money creation, which is essentially controlled by the US Treasury. This has been and continues to be used to finance the costs that America claims for the needs of its empire, namely the creation of over 800 military bases around the world and the wars it has been waging since the 1970s.

The world's central banks are thus the credit bank of the US financial empire.

As John Maynard Keynes is said to have said:

If you owe the bank $1,000, you have a problem;

if you owe the bank $1 billion, the bank has a problem.

In other words, the world's central banks have a problem – not the US as a debtor, because the US as a debtor can blackmail the world's central banks with its own insolvency. If the US were to actually declare its debts "non-existent," the world's central banks and all other holders of US Treasuries could confidently burn them. This would immediately lead to the collapse of the global financial system and trigger a global economic crisis. To prevent this, the world's central banks are doing everything in their power to avert the US's national bankruptcy by adjusting the blackmailer's credit line indefinitely in terms of both amount and maturity.

Today, with the budget that President Trump and the Republicans have presented to the US Congress, American debt is so high that foreign central banks and foreign investors, including private quasi-governmental funds such as Saudi Arabia and Norway, have realized that foreign debt, which should actually be *as good as gold* and the safest investment, cannot be repaid. There is no way that the United States can repay the amounts of money that other countries hold as loans to the United States—mainly US Treasuries, but also investments by US agencies such as Fannie Mae (Federal National Mortgage Association)—and there is absolutely no intention to do so.

Due repayments and interest payments on the debts are not made, but simply added to the existing mountain of debt by way of debt restructuring.

It is impossible for America to pay off this debt through exports, as it has been deindustrialized and no longer generates export surpluses. Selling its industry to foreign buyers is also out of the question.

Figuratively speaking, it's like going to the supermarket and wanting to pay with an IOU, and the supermarket says, “Well, you've racked up quite a bill over the last week, you have to pay now.” And the customer says, "I can't and won't pay. But you can use my IOU for something else. Give it to the farmer who supplies you with the eggs, dairy products, or vegetables that you sell in the supermarket.“ If this IOU, which in itself represents a claim against the customer, can somehow be put into circulation, then it would only be debt ”technically speaking." In practice, this debt would be like money (*fiat money*). (The example is from Michael Hudson.)

Much of the global financial system today is based on this type of debt that cannot be repaid, and this has become the key to the American empire, because it is the key to America's ability to spend money abroad and be the first nation in history to have no war debts or other debts to other countries that need to be repaid.

Former French Finance Minister Valéry Giscard d'Estaing has already spoken of this “exorbitant privilege” enjoyed by the US.

This is the double standard that America has managed to achieve in order to establish itself as the “indispensable nation”: while all other countries are cutting their national budgets in order to pay tribute to the US (e.g., European military spending following the latest NATO summit on June 24-25, 2025), the US refuses to pay its debts.

Other countries are trying to escape this system by buying gold, which is driving up the price of gold, and they are feverishly searching for a way to create an alternative global currency.

The global search for alternatives

The Treasury bill standard has worked so far because the whole world continues to buy US government bonds, albeit in ever-decreasing quantities, mainly due to a lack of real alternatives.

Reuters: "While the debate over ‘de-dollarization’ and global demand for US dollar-denominated assets rages on, a key group of foreign investors appears to be quietly exiting US securities: central banks.

This is the conclusion reached by the latest custody data from the New York Fed, which shows a steady decline in the value of US government bonds and other US securities held on behalf of foreign central banks.

It is true that virtually all central banks are buying as much gold as they can. However, this is not a real alternative because the global money supply is simply not sufficient. Global gold reserves are growing only very slowly (2–3% per year). The global economy and global trade, however, are growing exponentially.

Most current discussions about changes in the international economy therefore understandably and rightly focus on attempts by the BRICS countries and other countries to escape US control by de-dollarizing their trade and investments.

Alternative payment systems are currently being tested, such as the mBridge (Multiple CBDC Bridge) project. It was initiated in 2021 by the BIS Innovation Hub Hong Kong, together with the central banks of China (PBC Digital Currency Institute), Hong Kong MA, Thailand, and the UAE. In June 2024, Saudi Arabia joined as a full member. Over 26 other central banks and institutions are participating as observers (e.g., Fed New York, IMF, ECB). The most prominent members of mBridge are the Bank of Israel, the Bank of Namibia, the Bank of France, the Central Bank of Bahrain, the Central Bank of Egypt, the Central Bank of Jordan, the European Central Bank, the International Monetary Fund, the Federal Reserve Bank of New York, the Reserve Bank of Australia, and the World Bank.

This is a project that is investigating a platform for digital currencies (CBDC – Central Bank Digital Currency) shared by several central banks and commercial banks. It is based on distributed ledger technology (DLT) to enable instant cross-border payment settlements and foreign exchange transactions. The use of mBridge CBDC for oil payments could offer several advantages for Saudi Arabia and other OPEC countries, such as faster transaction times, lower costs, and greater transparency. However, the biggest advantage is probably that it bypasses the Swift system, thereby avoiding potential US and European sanctions.

In 2022, a pilot project involving real-money transactions was conducted. Since then, the mBridge project team has been investigating whether the prototype platform could be developed into a minimum viable product (MVP) – a stage that has now been reached.

China has developed its own system, CIPS (Cross-Border Interbank Payment System). It was introduced in 2015 and serves the purpose of international payment settlement in renminbi (RMB, yuan) as an alternative or supplement to SWIFT. This promotes the internationalization of the yuan. CIPS cooperates with approximately 1,400 (2024) foreign banks. This effectively circumvents Western sanctions.

Russia has also developed its own system in response to the SWIFT boycott and Western sanctions. SPFS stands for System for Transfer of Financial Messages. It transfers financial messages between banks – i.e., payment instructions, account information, etc. – just like SWIFT, and is primarily used for domestic transactions, but increasingly also for cross-border payments with friendly countries. More than 400 Russian banks participate, as well as banks in Belarus, Kazakhstan, Armenia, Kyrgyzstan, and other EAEU countries. Domestically, it now covers almost 100% of Russia's SWIFT needs.

Russia and China have partially linked SPFS and CIPS so that banks can exchange messages without using SWIFT. This allows Russian and Chinese banks to process payments – typically in rubles or yuan, which is particularly important for energy exports. Russia supplies gas and oil to China, with payments increasingly being made in rubles and yuan.

There are various considerations for balancing the balance of payments surpluses.

However, truly viable commodity-based currencies or similar concepts based on John Maynard Keynes' vision from the 1930s (an international currency unit as a supranational currency such as the *Bancor*) are not yet in sight.

The war against Iran also serves the goal of preventing an alternative financial system.

With Iran shattered and its constituent states reduced to a series of oligarchies, the US would have been able to control all of the Middle East's oil and the financial flows that flow from it. Control over oil has been a cornerstone of US international economic power for a century. The internationally active US oil companies (which are not only active as domestic oil and gas producers) and the transfer of economic revenues earned abroad make a significant contribution to the US balance of payments. This control in the Middle East also enables dollar diplomacy, whereby Saudi Arabia and other OPEC countries invest their oil revenues in the US economy by accumulating huge holdings of US government bonds and investments in the private sector.

Through these investments in the US economy (and other Western economies), the United States is holding the OPEC countries hostage, which can be expropriated just as the United States seized Russia's $300 billion in cash reserves in the West in 2022. This largely explains why these countries remain reluctant to take sides with the Palestinians or Iran in the current conflicts.

For the US, all this makes Iran a central pivot on which US national interests rest, namely the creation of a coercive empire of vassal states that submit to dollar hegemony by adhering to the dollar-based international financial system.

The irony of history

The irony, of course, is that the US's attempts to maintain its dwindling financial and economic empire are self-destructive. The goal is to control other nations by threatening them with economic chaos. But it is precisely this threat from the US that is driving other nations to look for alternatives. And a goal is not a strategy, as Michael Hudson rightly points out.

The plan to position Netanyahu in Israel as Zelensky's counterpart in Ukraine and, with his willingness to fight “to the last Israeli,” similar to how the US/NATO is fighting “to the last Ukrainian,” is a tactic that is clearly at the expense of their own strategy.

This is a warning to the entire world to find a way out. Like the US trade and financial sanctions designed to keep other countries dependent on US markets and a dollar-based international financial system, the attempt to establish a military empire stretching from Central Europe to the Middle East is militarily, economically, and politically self-destructive. It makes the already existing division between the US-centered neoliberal order and the global majority irreversible, both for moral reasons and for reasons of simple self-preservation and economic self-interest.

ARTICLE TAGS:

Analysis Hudson, Michael Keynes, John Maynard Israel Russia USA Nixon, Richard Iran IMF