Towards a Global Currency?

Towards the integration of the Dollar and the Euro?

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Theme: Global Economy

Global Research, July 20, 2009
20 July 2009

With a view to restoring financial stability, World leaders have called upon the Group of 20 countries (G-20) to instigate a new global currency based on the IMF's Special Drawing Rights (SDRs).

The media has presented the global currency initiative as a consensus building process, in which BRIC countries (Brazil, Russia, India and China) would participate in the revamping of the international monetary system.

Russia and China have put forth "proposals" which have been highlighted as possible alternatives to the dollar. China has proposed the formation of a new global currency based on a reform of SDR system:

> "It is a feasible plan to reform the present SDR and make it into a real settlement currency, a universally accepted 'currency basket' that would replace the dollar at the heart of the monetary system," (Li Ruogu, chairman of the Export-Import Bank of China, Reuters, 6 July 2009)

China's proposal does not imply a major shift in global banking arrangements, nor does it open up a window of debate regarding monetary reform.

On the other hand, Russian President Dmitry Medvedev has explicitly questioned the composition of the SDR basket and has called upon the IMF "to expand the currency basket of SDRs to include the Chinese yuan, commodity currencies and gold in order that it matures into a reserve currency."

Geopolitics

Global Geopolitics bears a relationship to the international monetary system. Control over money creation is an instrument of economic conquest.

The invasion and occupation of Iraq was to exclude rival Russian and Chinese interests from the Middle-East and Central Asian oil fields.

The reform of the international monetary system is a project of the dominant financial elites, which is discussed behind closed doors. It is unlikely that Russia and China, which in large part remain subordinate to Western banking interests, will perform a significant role in central banking functions at a global level.

Moreover, this initiative occurs at a time of East West confrontation, amidst veiled US-NATO threats directed against Russia as well China. The establishment of a new global currency and central banking system is an instrument of global economic domination which is intimately related to the broader US-NATO military agenda.

While the SDR basket composition could be modified or revised, it is unlikely that the Yuan and the Ruble would be allowed to perform a role as major reserve currencies. What is more likely to occur is the formation of a global proxy currency predicated largely on the Euro and the US dollar. In response to the Dollar-Euro hegemony, Russia, China and the member states of the Shanghai Cooperation Organization (SCO) may decide to develop bilateral trading arrangements in Rubles or Yuan (renminbi).

Special Drawing Rights

SDRs are a composite accounting unit used by the IMF and the World Bank in loan agreements with member countries. The SDR is a basket of essentially four major currencies: the US dollar, the Euro, the British pound and the Japanese Yen.

Composition of basket (value of 1 XDR)

Period
USD
DEM
FRF
JPY
GBP

1981–1985
0.540 (42%)
0.460 (19%)
0.740 (13%)
34.0 (13%)
0.0710 (13%)

1986–1990
0.452 (42%)
0.527 (19%)
1.020 (12%)
33.4 (15%)
0.0893 (12%)

1991–1995
0.572 (40%)
0.453 (21%)
0.800 (11%)
31.8 (17%)
0.0812 (11%)

1996–1998
0.582 (39%)
0.446 (21%)
0.813 (11%)

27.2 (18%)
0.1050 (11%)

Period
USD
EUR
JPY
GBP

1999–2000
0.5820 (39%)
0.3519 (32%)
27.2 (18%)
0.1050 (11%)

2001–2005
0.5770 (45%)
0.4260 (29%)
21.0 (15%)
0.0984 (11%)

2006–2010
0.6320 (44%)
0.4100 (34%)
18.4 (11%)
0.0903 (11%)

Source Wikipedia

The IMF has recently presented a plan for issuing debt denominated in SDRs rather than US dollars. The media has heralded this decision as a major innovation, when in fact the Bretton Woods institutions have, for many years, been issuing debt denominated in SDRs.

> "Today, the SDR has only limited use as a reserve asset, and its main function is to serve as the unit of account of the IMF and some other international organizations. The SDR is neither a currency, nor a claim on the IMF. Rather, it is a potential claim on the freely usable currencies of IMF members." (IMF Fact Sheet on SDRs)

What would happen if a new global currency were to be devised using the existing SDR framework?

SDRs would no longer be an accounting unit but a unit of currency in a basket. Actual central banking functions, however, would not necessarily be transferred to the IMF, they would remain in the hands of four constituent central banks: The US Federal Reserve, the European Central Bank based in Frankfurt, the Bank of England and the Bank of Japan. I

The IMF is a bureaucracy which serves the interests of major private financial institutions.

While the IMF would formally be responsible for overseeing a global currency, the IMF would not actually be responsible for monetary policy. Under the existing SDR composition, the central banking functions would be divided between four central banks. These central banks are in turn controlled by a handful of private banking interests.

A global currency based on the existing SDR arrangement would not fundamentally change the global monetary order.

The SDR would be a proxy currency. Under the present composition of the SDR, what we would be dealing with is *an alliance between US, British, European and Japanese banking institutions, ultimately with the US dollar and the Euro predominating.*

Euro-Dollar Rivalry

From the outset in 1999, there has been a clash between the Euro and the dollar. In Eastern Europe, the former Soviet Union, the Balkans extending into Central Asia, the dollar and the Euro are competing with one another. Ultimately, control over national currency systems is the basis upon which countries are colonized. While the U.S. dollar prevails throughout the Western Hemisphere, the Euro and the U.S. dollar are clashing in the former Soviet Union, Central Asia, Sub-Saharan Africa and the Middle East.

Prior to the invasion of Iraq in March 2003, there was a political confrontation between the Franco-German alliance and the dominant Anglo-American military axis.

With the election of pro-US governments in both France and Germany, a political consensus seems to have emerged with regard to the Middle East war. In turn, this consensus regarding the US-NATO military agenda favors greater cooperation and integration between the US and the EU in global financial and monetary affairs.

Would this potential "alliance" between powerful overlapping American, British, European and Japanese banking interests lead to the integration of the Euro and the dollar into a single global currency?

This integration would lead to reinforcing the hegemonic control of a small number of global banking and financial institutions over the process of money creation. This, in turn, would overshadow the functions of national central banks, encroach on the sovereignty of the Nation State and eventually lead to a new phase of the global debt crisis.

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Michel Chossudovsky is Professor of Economics at the University of Ottawa and Director of the Centre for Research on Globalization (CRG), which hosts the critically acclaimed website www.globalresearch.ca . He is a contributor to the Encyclopedia Britannica. His writings have been translated into more than 20 languages.

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