BRICS threatens bankers' financial 'revolution'

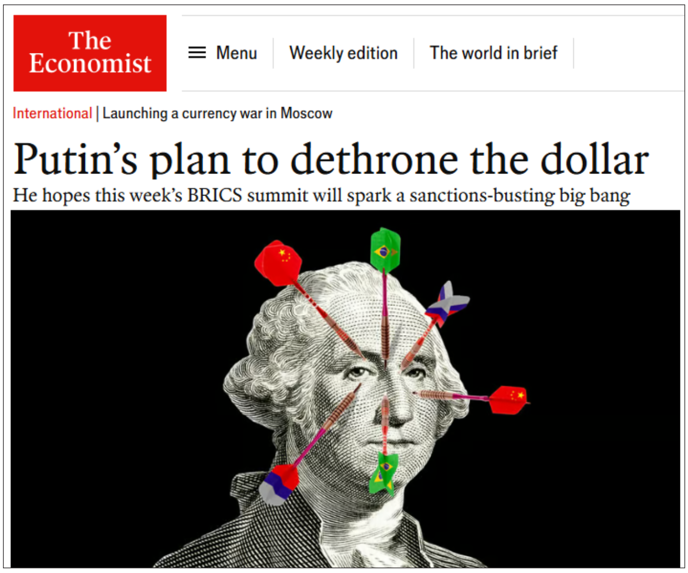
By Elisa Barwick

The high priests of Anglo-American finance ensconced in Western central banks fear a new BRICS payments system will undercut their grand plans for financial "regime change". They are in a flap because their "oracle", the Bank for International Settlements (BIS), may have inadvertently assisted the "global majority" in doing so. A global central-bank digital currency envisioned by the City of London and Wall Street, to put a straitjacket on national governments, could be eclipsed by a BRICS financial strategy using similar technology, but which would instead free nations from financial strangulation.

Headlines across financial papers reporting on the BRICS Kazan summit held 22-24 October warned of: "Putin's plan to dethrone the dollar"; "A surprise new twist in Putin's currency wars"; "A global financial war … on a new digital front"; and "BIS debates ending project eyed by Putin to undermine dollar". But the "war" of which these banners speak signals more than a tussle between the US dollar order and the rising global majority constructing its own financial architecture. With the current global financial order collapsing in on itself, there is a push in the West to impose a new, fundamentally fascist order upon an unwilling population. It is this which is being undermined.

This was first heralded at the 2019 Jackson Hole central bankers' summit, when then-Bank of England head Mark Carney proposed a new global central-bank digital currency to replace the US dollar reserve system. At the same time, giant investment firm BlackRock issued a report demanding central banks prepare to deal with the next crisis by "going direct" with bailouts, "to get central bank money directly in the hands of public and private sector spenders". It pushed an unprecedented "coordination of monetary and fiscal policy to provide effective stimulus" involving the Treasury, Fed and major banks, to save the financial system. This would be a "regime change in monetary policy", said BlackRock chair Philipp Hildebrand, with "a blurring of fiscal and monetary activities and responsibilities"; that is to say, giving central banks control over government spending and related decisions.

A June 2020 document fleshed out how fiscal injections via the Fed—both on a personal and on a government scale—could affect the desired regime change. A Philadelphia Federal Reserve working paper, "Central Bank Digital Currency: Central Banking for All?", said the Fed would employ investment banks including JPMorgan and Goldman Sachs to inject money into the economy. The Fed had employed part of the scheme during the March 2020 COVID bailout, when it purchased corporate bonds (the debt of US companies) using taxpayers' money through Special Purpose Vehicles that were managed by BlackRock. A September 2020 speech about COVID fiscal interventions by Cleveland Federal Reserve Bank President Loretta Mester elaborated on the other aspect, proposing that "each American have an account at the Fed in which digital dollars could be deposited, as liabilities of the Federal Reserve Banks, which could be used for emergency payments". Though ostensibly putting money into consumers' hands, the end game was to save the collapsing financial system by getting people to spend. Plus, it served an additional purpose: establishing a traceable, controllable system operating under BIS oversight. ("Central Bank Digital Currency plan exposes new bailout strategy", 7 Oct. 2020)



Bank hysteria over BRICS hits the financial press. Photo: Screenshot

The March 2020 bailouts were straight from the BlackRock playbook and like the Reserve Bank of Australia's Term Funding Facility had little to no impact on boosting the real economy, only the banks. A September 2020 BlackRock report described the COVID cash injections as a "joint monetary-fiscal policy revolution—a necessary response to the Covid-19 shock", designed to bring on inflation. But the March 2020 financial crunch had been precipitated earlier, with the 2019 "repo" ("repurchase" overnight lending market) seizure—commonly acknowledged to have been triggered by JPMorgan, which thereafter insisted the Fed should provide all repo market liquidity itself with a "standing repurchase-agreement facility" with which suggestion the Fed soon complied. (More on this topic is available under the header "Reinventing bailouts", at citizensparty.org.au/australian-alert-service-feature-articles/economic)

The BRICS threat

Without this backdrop the financial media's characterisation of the BRICS proposal for a new international settlements system is inexplicable. The BRICS effort—dubbed "BRICS bridge" by the press—is presented as an attempt to hijack the project coordinated by the BIS Innovation Hub for a multi-central-bank digital currency platform known as mBridge (Multiple CBDC Bridge). But no BRICS leaders or BRICS documents present their proposals this way, nor do they call it "BRICS bridge".

The agreed Kazan Declaration announces a BRICS Grain Exchange, a new investment platform, Interbank Cooperation Mechanism, a Geological Platform, and various working groups, for everything from transport to nuclear medicine. Feasibility work on a BRICS Cross-Border Payments Initiative and BRICS Clear (cross-border settlement infrastructure) is promised. What caught the attention of long-time British imperial rag, the *Economist*, was clearly not the Declaration's general agreement to pursue new payments and settlements systems, but detailed options proposed by Russia in its pre-summit BRICS Chairmanship Research report, "Improvement of the International Monetary and Financial System", including for a BRICS central bank payments platform for settlements in digital tokens; that is, using distributed ledger technology (blockchain technology that allows instant, peer-to-peer exchanges across borders). ("Align with BRICS or be left behind", available online.)

The successfully trialled mBridge system is just such a system. It allows direct cross border payments without using the Swift network or commercial bank intermediaries. It overcomes the necessity to exchange currencies to conduct trade, and with it the reliance upon a single "reserve currency" such as the US dollar. (Our previous report on mBridge is available online, "Opinion: CBDCs, de-dollarisation and Australia", *AAS*, 29 March 2023.)

The mBridge project emerged from discussions about improving the financial architecture at the 2020 G20 summit, with China in particular urging a move into the digital domain. The mBridge project was taken up by China, its autonomous province Hong Kong, the UAE, and Thailand, in coordination with the BIS Innovation Hub. Participating were 39 commercial banks in those countries; with central banks from 32 nations, including Australia, as observers.

Now, with the supposed BRICS threat, Bloomberg reported 29 October that central bankers and finance chiefs discussed shutting down the mBridge project at the IMF and World Bank meetings held 21-26 October in Washington. Some leaders, reported the *Economist*, "are frustrated by the unintended role of the BIS" in assisting BRICS. The BIS "has unwittingly stepped into a geopolitical minefield", the paper scolded. Bloomberg reported that US and European leaders have warned against financial systems based on Chinese-developed technology; others say the entire project was a mistake.

After a 31 October speech, BIS General Director Agustin Carstens was asked about media speculation on the matter. He said the BIS had already "graduated out" of the project as it was successful and the partners "can carry it on by themselves". He stated "categorically" that "mBridge is not the 'BRICS bridge'", and claimed mBridge is "many years" away from full operation.

The BIS withdrew from the project in June when the project reached the "minimum viable product" stage. At that time, Saudi Arabia joined the trial and actual transactions were conducted in nations' own currencies between banks in the UAE and China, with settlements that could previously take days finalised within ten seconds. Transaction costs were reduced to almost nothing. Hundreds of similar transactions have since taken place. The steering committee of the project is committed, according to the *Economist*, to bringing the project to "full production". Any effort to shutter the project would be meaningless as the technology could quickly be replicated by the parties involved.

But in April this year the BIS Innovation Hub and the Institute of International Finance (IIF, recently addressed by JPMorgan CEO Jamie Dimon, below) launched an international technical research project for a digital currency. Project Agorá—Greek for marketplace—will look at streamlining cross-border payments using tokenised deposits integrated with tokenised central bank money, to form the basis of "a future financial system". Such a "unified ledger", announced the BIS, represents "a new type of financial market infrastructure". The New York Fed with its 2021-founded New York Innovation Centre is at the vanguard of the scheme, along with the central banks of the UK, France, Switzerland, Japan, Korea and Mexico in partnership with more than 40 large banks, in what the BIS calls "a public-private programmable core financial platform".

While the BRICS have made no indication of hijacking this pathway, the overall risk to the Anglo-American banking elite—that it will lose its grip over the global financial system, including its digital future—is very real.

In an interview with TV BRICS on 2 November, Russian Foreign Minister Sergey Lavrov said that while BRICS is intent on reforming the current financial order, it is also fashioning a parallel "alternative payment mechanisms", comprising "interbank settlements using national currencies" (not a new global currency, digital or otherwise). This is necessary, he said, because of the way the US dollar has been weaponised in the world economy. "No one is immune from dollar tyranny, given the desperate position of the United States in the modern world. They feel that hegemony is slipping away … but they want to use everything, including the most forbidden methods, to preserve it." Lavrov made clear that mechanisms for such an alternative system have been developed and that work is proceeding. He said he was confident that Brazil, which chairs the BRICS from January 2025, will push ahead with these projects.

JPMorgan CEO: 'World War III has already begun'

Speaking 24 October at the Institute of International Finance, a global association of the finance industry, JPMorgan CEO Jamie Dimon told his audience that the economic outlook for the next quarter is of "teeny" significance "compared to the geopolitical situation we face". Referring to the wars in Ukraine and the Middle East, he warned: "World War III has already begun. You already have battles on the ground being coordinated in multiple countries."

Dimon—who heads America's and the world's biggest bank by market capitalisation—warned about increasing cooperation between US adversaries, identifying the "evil axis" of Russia, North Korea and Iran, as well as China, which want to topple the world order. China and Russia, he said, are "clearly talking about dismantling the system" created after World War II, not only the financial order but NATO. "And they're talking about doing it now. They're not talking about waiting 20 years. And so the risk of this is extraordinary if you read history."

JPMorgan's risk management team regularly wargames scenarios for all kinds of global instability, he told the crowd, according to media which obtained the audio recording. "I talk about the risk to us if those things go south", Dimon said. "We run scenarios that would shock you. I don't even want to mention them." Addressing a concern shared by many military experts, he said an escalation could even be the result of a mistake.

Dimon warned that nuclear weapons are the "biggest risk mankind faces", but revealed his ensconcement within Anglo-American battle lines by: claiming if Iran secures a nuclear bomb "it's just a matter of time before these things are going off in major cities around the world"; decrying the grave threat represented by Russian President Putin—"a man threatening nuclear blackmail"; citing China's increasing involvement in the "evil axis" of America's enemies; and proclaiming his unconditional support for Israel.

The dire economic impact of a spiralling global conflict is a major risk, Dimon indicated. The bank chief warned of persistent inflation, including higher energy and food prices due to escalating wars, and consequently, the risk of higher interest rates. "This may be the most dangerous time the world has seen in decades", he said. It is therefore also a time of high uncertainty.