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Dollar dominoes

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Will Washington's seizure of \$300 billion Russian assets end domination of dollar as global currency?



In Kabul, Afghanistan, people lined up outside a bank to take out cash in October 2021, two months after the U.S. seized the Bank of Afghanistan's \$9.5 billion in dollar reserves.

On Feb. 26, the U.S. blocked Russia's access to over \$300 billion in foreign reserves held in banks in the U.S., the European Union and Japan. This was part of the sanctions U.S. President Joe Biden announced as part of the U.S./NATO proxy war against Russia.

China did not freeze Russian assets. China's banking regulator said it would not participate in sanctions against Russia, adding that the sanctions "have no legal grounds."

Another way to put it is that the U.S. taking \$300 billion in Russian assets is illegal – a robbery.

Russia responded with counter-sanctions, requiring all payments from “unfriendly countries” in rubles. The list of “unfriendly” includes all G7 and EU nations, as well as Ukraine. Since assets in the form of dollars or euros might be seized by the U.S., requiring payment in rubles is reasonable.

What are foreign reserves?

Foreign reserves are a government’s holdings of gold, foreign treasury bills and foreign currency — dollars, euros, pounds, yen and yuan. Although a country can hold foreign reserves in its own banks, governments often choose to keep their reserves overseas to avoid costly cross-border transactions and gain direct access to foreign markets.

U.S. President Joe Biden has imposed severe sanctions on Russia, including the freezing of Russia’s foreign reserves. The impact of this U.S. economic and financial warfare is expected to raise the prices of oil, industrial metals, natural gas, fertilizer and food.

CNBC reported April 6: “A fertilizer shortage, worsened by war in Ukraine, is driving up global food prices and scarcity.” The shortage is not because of any military activity; it’s because of the sanctions. Sanctions are not an alternative to warfare, as some might claim. Sanctions are economic warfare.

Hidden for now is the potential impact the seizure of foreign assets will have on the dollar-dominated international monetary system.

The U.S. world empire consists of a series of institutions – military, financial, trade and political. These institutions, whose roles have evolved over the years, include NATO, the World Trade Organization, the International Monetary Fund, the World

Bank and even the U.S.-dominated United Nations Security Council. Plus, importantly, the U.S. dollar-centered international monetary system.

The world's reserve currency

The U.S. dollar was designated as the world's reserve currency by the Bretton Woods Agreement in 1944. The world's central banks all operate on the dollar standard, holding their international monetary reserves in the form of U.S. Treasury bills, U.S. bank deposits and U.S. stocks and bonds.

More than a century ago, central banks had kept their reserves in the form of gold and silver. By the beginning of the 20th century, central banks started to hold some of their reserves in treasury bills of other countries, which enabled central banks to earn interest on their reserves, something they couldn't do with gold bars.

However, both gold bars and treasury bills can be stolen, as fictionally dramatized in the James Bond "Goldfinger" story.

Venezuela's central bank had about \$2 billion "safely" deposited in the Bank of England, which was "frozen" (stolen) by the U.S./NATO imperialists as part of the economic and financial war (sanctions) against Caracas.

Turns out, central banks aren't neutral or safe havens.

U.S./NATO defeat in Afghanistan

The war on Afghanistan was a U.S./NATO operation. The U.S. had 100,000 troops at 800 military bases in Afghanistan. In addition, under U.S. command, an additional 130,000 troops from other NATO countries were stationed at 400 NATO bases in Afghanistan.

The war was a major defeat of the imperialist forces. When the U.S./NATO withdrew

from Afghanistan in August 2021, the U.S. government froze \$9.5 billion in dollar reserves of the Bank of Afghanistan. This threw the economy of Afghanistan into a deep crisis, devastating the whole population.

The U.S./NATO war had already driven the country into total poverty. In July 2020, before the Taliban returned to power in Kabul, the Ministry of Economy in Afghanistan had said that 90% of the people in the country lived below the international poverty line of \$2 a day.

The freezing of Afghanistan's dollar reserves, [according to the U.N. Development Program](#), "means only 5% of the population has enough to eat, while the number of those facing acute hunger is now estimated to have ... reached a record 23 million. Almost 14 million children are likely to face crisis or emergency levels of food insecurity this winter, with 3.5 million children under the age of five expected to suffer from acute malnutrition, and 1 million children risk dying from hunger and low temperatures."

Freezing bigger dollar assets

Until now, most assumed Washington's freezing of monetary reserves held in U.S. Treasury bills or other dollar-denominated assets was confined to small countries like Venezuela or Afghanistan.

If other countries, like the People's Republic of China, fear their central bank reserves might be frozen by the U.S./NATO imperialists, won't they shift their reserves to gold?

The U.S. dollar domination of the world economy is already in decline. Will this lead to not just decline but destabilization?

As researchers working for the Wall Street bank Goldman Sachs [cautioned](#): "The move by the U.S. and its allies to freeze Russia's central bank out of much of its

foreign currency reserves has raised concerns that countries could start moving away from using the dollar, due to worries about the power the currency grants the U.S.”

