



Economic War and Multipolar Economic World

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ABSTRACT

This is an everchanging and ever-competitive global arena. It's called globalization of economic affairs. After the WWII a significant number of international financial institutes and economic mechanisms including World Bank, IMF, SWIFT System, WTO (GATT), International Stock Exchanges as well as global Reserve currency have been developed to create a borderless economic world, called American World Order. Due to global market economy and borderless economic world whole world has become a global village and the movement of goods, capital and people has been eased and widened. Economic activities have been faster, diversified, and widespread in one hand and on the other hand the outer influence on an economy has become very significant. Inter-exchange of products and services and inter-dependability among the nations are the global scenarios in the modern world. On the contrary, these financial institutions and economic mechanisms are being used as western leverage and being politicized and weaponized to counter the rival states, causing economic volatility in national and global levels during last several decades. The main purpose of the study is to analyze the impacts of outer influence and politicization & weaponization of economic mechanism and international financial institutions on a particular economy and on global economy in large and potential ways to overcome the challenges. The study is mainly based on secondary sources of data including scholarly journal, articles, books, research materials, news of media outlets and other relevant sources pertaining to the subject. The finding of the study will contribute to counter the unusual economic situation, deter the counterproductive economic measures of hostile outsiders and suggest a mechanism and framework for an Alternative Economic System to form a multipolar economic world to neutralize the western domination.

Key words: Economic globalization; Economic Turmoil; Politicization & Weaponization of Economic Institutions; Economic War; Multipolar Economic world.

INTRODUCTION

The world is under new global challenges. In this era of global market economic the outer influence of an economy is so crucial as the internal influence. Moreover, economic

politicization is very common fashion in the ever-competitive global arena. Together with politicization of diplomatic and military spheres, economic spheres are also being politicized and economic mechanism and economic institutions are being used as weapons to ravage the rival states for last several decades. The most common tactic of attacking on rival economies are economic sanctions, financial embargo, asset freezing, unusual tariffs imposing, market dumping, deterring financial institutions from SWIFT System, from International Stock Exchanges, and from financial institutions, deterring ports and vessels to transport of goods etc. Due to the hostile economic approaches and economic politicization not only the targeted nations rather whole world is being affected. The adverse impacts of economic warfare are slow growth of economy, global economic crisis, unusual inflation rate, acceleration of unemployment and poverty rate etc. The potential ways to deter the challenges are to apply convenience monetary policy and multipolar economic world.

In the study a convenience monetary policy has been recommended and a mechanism and framework has been developed to form an Alternative Economic System and multipolar economic world to neutralize the western domination.

GLOBAL ECONOMIC CHALLENGES

The world is currently confronted with numerous economic challenges arisen from political dispute and hegemonial intention of imperial powers. After the WW II US lead international institutions including IMF, World Bank and WATT were established with a view to create a borderless economic world dominated by western countries known as American world Order. These institutions are now being used as western leverage and world economics are under numerous challenges. The most remarkable challenges are massive economic downturn, unusual inflation, high unemployment rate, permanent economic crisis, crisis of goods & services, depreciation of national currency, defaulting of state debt etc. The challenges are becoming more deadly, and the impacts are being more severe and wider due to rapid politicization and weaponization of economic spheres, and international financial mechanisms and institutions to crackdown the rivals' economies. Adverse impacts of hostile measure of an economy rapidly spreader throughout the world from the affected country due to the globalization of economic affairs and global market economy.

ECONOMIC WAR

Economic war is literally an economic strategy set by combatant nations in order to weakening the economic power of rival states. The method is classic and achieved by the use of hostile economic measures including economic sanction, financial embargo, deterring financial institutions from SWIFT System, from International Stock Exchanges, and from financial institutions, deterring ports and vessels to transport of goods etc. Economic war has become very common tactic to ravage the rival states during last several decade and western countries are the dominant forces of it. Any nation which doesn't comply with western nation's ideology, political philosophy, economic, social or geo-political interests are given financial and diplomatic sanctions.

Not only the targeted nations rather whole world suffers from counterproductive economic war due to globalization of economic affairs and global market economy. The aftermaths of economic war are unusual economic downturn, global economic crisis, mass inflation, high rate of unemployment and poverty, shortage of supply etc.

Weapons of Economic war

The concept of economic warfare is most applicable to total war, in which together with the armed forces of enemy countries, economic power is applied and weaponized. The ammunitions of economic warfare are economic mechanisms and international economic institutions including SWIFT System (International transaction system); International Stock Exchanges; Financial Institutions (Banks & financial entities); Transaction & Reserve Currencies (\$, €, £), ports and transport ships etc.

Western dictatorship in Economic world

Economic world is predominantly controlled by the western countries, their allies and partners. Almost all the international economic mechanism and international financial institutions are owned and controlled by the western countries and their partners.

SWIFT System, the western leverage

SWIFT, the Society for Worldwide Interbank Financial Telecommunication, legally S.W.I.F.T. SC, is a cooperative society is to provide services related to the execution of financial transactions and payments between banks worldwide. SWIFT acts as a carrier of the "messages containing the payment instructions between financial institutions involved in a transaction.

As of Feb. 2022, 11,000 member banks of 200 countries are with SWIFT system with 4 billion accounts. SWIFT system's gradual acceleration of global transaction is in table1.

Table 1: Global transaction through SWIFT System

Year/segment	Total messages for global transaction/day
2018	37 million
2019	44.58 million
2020	50.2 million
2021	82 million

Source: Statista 2022

So, it is clear that SWIFT has an influential and incremental domination in global financial transaction. If SWIFT is blocked for a nation its international financial activities totally deterred as secondary sanction is imposed on any financial institute if it conducts any financial activities with the western sanction-imposed nation.

SWIFT is controlled by the central banks of US leads G10 countries, the European Central Bank, and the National Bank of Belgium.

INTERNATIONAL STOCK EXCHANGE AND WESTERN DOMINATION

A stock exchange is an exchange where stockbrokers and traders can buy and sell securities, e.g., shares of stock, bonds, and other financial instruments. There are 16 stock exchanges in the world which have a market capitalization of over \$1 trillion each and account for 87% of global market capitalization.

The major 16 stocks exchanges are –New York Stock Exchange; Nasdaq; Euronext; Shanghai Stock Exchange; Japan Exchange Group; London stock Exchange; Deutsche Borse AG (Germany); Toronto Stock Exchange; National Stock Exchange; Hong Kong Stock Exchange;

Korean Stock Exchange; Six Swiss Stock Exchange; Taiwan Stock Exchange; Australian Security Exchange; Shenzhen Stock Exchange; Nasdaq, Nordic and Baltic Exchanges; Chicago Mercantile Exchange

It is a matter of fact that 13 out of 16 stock exchanges are western countries and their allies controlled and if trade activities are conducted by any stock exchange with the western sanction-imposed nation, secondary sanction is given on it. So, the western stock exchanges are huge blows for the western rival countries.

IMF

By the leadership of the USA IMF was established in 1944 with 44 states to surveillance the global monetary system and to assist the member states to confront and overcome the monetary challenges in crisis situation. The total member states of IMF are 190 as of today. The principal functions of IMF are-

1. Surveillance
2. Lending
3. Technical assistance

The financial sources of IMF are –

1. Financial contribution of member states
2. Multilateral Borrowing
3. Bilateral loan agreement

Quota of the member states is the largest financial sources of IMF where USA is the biggest contributor and single biggest voting owner of IMF decision making body (16.5%) and veto power. So, IMF is predominantly dominated by USA and its allies.

World Bank (WB)

By the name of International Bank of Development and Reconstruction World Bank was established in 1944 by the leadership of the USA. The main objectives of WB are financial and infrastructural development, improvement of poverty condition and reduction of illiteracy rate mainly in developing and list developed countries through financial assistance. Moreover, World Bank provides loan to the NGOs for financial growth and employment creation. It provides financial, commercial, technical and ethical assistance and consultancy to the government of member states. It also works to strengthen the NGOs of member state. Like IMF World Bank is also dominated by the USA.

WTO

The world trade organization is the only international global organization dealing with the rules of trade and commerce to smooth and accelerate trade among the member states. It is the world largest economic organization with 164 member states and representing over 98% global trade and global GDP. It officially commenced operations on 1 January 1995, following to the 1994 Marrakesh Agreement, thus replacing the 1948's General Agreement on Tariffs and Trade (GATT) which was established by a multilateral treaty of 23 countries led by the USA in 1947 in the wake of other international organizations including World Bank in 1944, IMF in 1955 etc.

Prime Banks, the springboard for the West

Bank is very significant financial institution in the modern global arena. It operates transaction for internal and external trade, commerce and all other issues, lends for infrastructure development, investment, education and other development purposes. According to S&P 2000, the biggest banks in the world are Industrial and Commercial Bank of China, China Construction Bank, Bank of China, JPMorgan Chase, HSBC, Bank of America, BNP Paribas, Credit Agricole, Mitsubishi UFJ Financial Group, Citigroup Inc. Wells Fargo etc.

These banks play a leading role for global lending and borrowing which account for 53% of global lending.

It's a matter of fact that they are the SWIFT members and if any financial institutes maintain commercial activities with western sanction-imposed nation and/or their financial institutions either through transaction, lending or depositing activities, secondary sanction is given to it.

Transaction and reserve currency, the western powerhouse

A reserve currency is a strong currency which is widely used in international trade, is held in significant quantities by central banks or other monetary authorities as part of their foreign exchange reserves. The strongest reserve currencies in world are- US dollar, Euro, Pound Sterline, Japanese yen, Swiss franc etc. The western domination on global transaction and reserve currencies are the following:

Table 2: Global transaction by currency

Year/segments	USD	Euro	Pound
2018	40%	34%	5.1%
2019	43%	33%	5.3%
2020	39%	38%	5.5%
2021	40%	36.65%	5.89%

Source: Statista 2022

Table 3: Foreign Exchange Global Reserve

Year/segments	USD	Euro	Pound
2018	61%	20%	5%
2019	62%	20%	5%
2020	63%	20%	5%
2021	60%	20%	5%

Source: Statista 2022

The tables (2 and 3) shows that the western countries and their allies own all the major reserved currencies by which almost all global transaction is conducted.

REASONS FOR FINANCIAL WAR

Economic war is mainly a political agenda to accelerate the bargaining power and a way to punish the rival state economically. If any country doesn't comply with western nation's ideology, political philosophy, economic, social, or geo-political interests are given financial and diplomatic sanctions. The list of countries under the western sanction are-

- Cuba (Since 1962)
- North Korea (Since 1950)

- Iran (Since 1979)
- Venezuela (Since 2014)
- Afghanistan (since 1999)
- Nicaragua (since 1985)
- Russia (2014)
- Zimbabwe (since 2002)

These nations are under west imposed economic sanctions due to their own political ideologies, political philosophies, and own way to rule the nations.

Preventive Measures (temporary solution)

The most conventional way to confront the challenges is to apply an effective monetary policy to ensure stability, continue investments, and usual economic growth. Monetary policy is the policy adopted by national monetary authority to control the interest rate for short-term loan and/or control the money supply to ensure price stability and general trust of the value and stability of the nation's currency. There are 2 types of monetary policies commonly applied are-

- A. Expansionary policy:** Expansionary policy primarily is a stimulation of economic growth. In the expansionary form of monetary policy, the monetary authority reduces the interest rate, cut taxes, accelerates the government spending and government transfer to enhance the investment and money liquidity. It accelerates the economic growth and reduce the unemployment rate but accelerate inflation rate and depreciate national currency.
- B. Contractionary policy:** Contractionary policy on the contrary is a dampen of economic growth. In the contractionary form of monetary policy, the monetary authority enhances unusual interest rate and taxes and reduces government spending and government transfer significantly. It reduces the inflation rate and appreciate the national currency but slows the economic growth and accelerate the unemployment rate

Moreover, to bring stability and financial sustainability in an economically turmoil country following measures are very effective-

- Reduction of import through enhancing domestic growth and domestic consumption
- Acceleration of export through domestic production growth
- Reduction of money supply by changing interest rate or removing excess reserves, E.G., selling foreign reserve and buying national currency from international stock exchanges.
- Austerity measure to minimize the budget deficit (tax increases, spending and investment cuts)
- Enhancement of capital inflows through tax acceleration or government borrowing
- Fixing exchange rate and exchange rate controlling

Alternative World Economic System (long term and permanent solution)

Alternative **World Economic System** is the only way to confront the global challenges through establishing multipolar economic world and neutralize the western domination. The following initiatives could be a very potential breakthrough to confront the challenges-

- Alternative Stock Exchanges with western sanctioned nations, their allies and the neural states
- Alternative SWIFT system with the Banks of western sanctioned nations, their allies and the neural states

- Alternative reserve and transaction currency
- Alternative development banks, monitoring and rating agencies

BRICS platform could be a springboard in this regard. Some of the initiatives have already been taken to counter the challenges.

Working Procedure for Alternative Economic World

The BRICS which consists 40% of global population, 24% of global GDP and over 16% of the share of the world trade could be a potential Platform for alternative economic world. It could be composed with 3 blocks-

1. the country already under western sanctioned
2. the anti-western countries and
3. the neutral states.

The BRICS nations will create a common economic zone, BRICS stock exchanges, BRICS development Bank, BRICS currency and BRICS university and other financial, commercial and international institutions. The BRICS SWIFT system can work with the same mechanism of western lead SWIFT system.

CONCLUSION

A multipolar economic world is the demand of time. The above initiatives will play a role to keep the balance in economic world forming a multipolar economic world and neutralizing the western domination and arbitrariness. It will bring a very potential breakthrough for sustainable economic growth free from financial sanction, economic embargo, asset freezing and any other punitive measures and we will get a peaceful prosper world free from economic downturn, financial crisis, inflation, unemployment and poverty.

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