

Research: Weaponizing of the US\$

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Note.

This article is a work in progress and has been published; however, it remains an ongoing meta-study subject to continuous updates. The focus of this article revolves around the potential threats faced by manufacturers intending to export to the US or utilizing the US dollar for their transactions. Follow us on Twitter to stay informed about future updates

What is this?

This is a "Research" article on the Weaponization of the USD and Extra-Jurisdiction.

Why do we need this?

As an international marketing agency like Ubinodes, our priority is to educate our clients about the intricacies of exporting and importing products, particularly in relation to the United States and its interactions involving the USD.

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1. Weaponizing of the USD.

America is leveraging the dollar as a tool to maintain its global economic and geopolitical dominance. With the U.S. accounting for 20 percent of the world's economic output and over half of all global currency reserves and trade conducted in dollars, this influence stems from the Bretton Woods agreement. This agreement, established in 1944, set the framework for commercial and

financial relations among the United States, Canada, Western European countries, Australia, and Japan.

The Bretton Woods system marked the first fully negotiated monetary order aimed at governing monetary relations among sovereign states. Key features included the requirement for each country to maintain its external exchange rates within 1 percent by pegging its currency to gold, as well as the IMF's role in addressing temporary balance of payment imbalances and preventing competitive currency devaluations.

However, the system came to an end in 1971, enabling the U.S. to assert control over the global currency supply. The weaponization of the USD is evident in its association with sanctions programs. Legislation such as the International Emergency Economic Powers Act, the Trading With the Enemy Act, and the Patriot Act empower Washington to weaponize payment flows. Coupled with technology and access from SWIFT (Society for Worldwide Interbank Financial Telecommunications), the U.S. can exert unparalleled control over global economic activity (Source 15).

2. Prism Program and the Weaponization of the USD.

The Prism program, operated by the US National Security Agency (NSA), functions as a tool for collecting private electronic data from users of prominent internet services such as Gmail, Facebook, Outlook, and similar platforms.

This program significantly impacts the weaponization of the US dollar by expanding its influence over individuals utilizing these services. Through Prism, the US government gains access to locations beyond its borders, enabling surveillance on entities that might be deemed a threat to the stability of their currency.

3. How Companies without U.S. Operations can still face U.S. Law and Regulatory Enforcement.

America has taken on the role of the global police, assuming the positions of Judge, Jury, and Executioner for international businesses due to the United States' influential position in the world economy. Companies disregarding this global jurisdiction risk exclusion from a vast domestic market or being cut off from dollar payment systems and mainstream banks.

The process appears notably ad hoc. Few cases proceed to court, and settled matters often include gag orders imposed on executives. With minimal oversight, prosecutors have broadened interpretations of what constitutes a link to America warranting prosecution. Even indirect dealings with foreign banks having US branches or using services like Gmail can now lead to potential legal ramifications. For instance, envision China imposing a \$5 billion fine on Amazon and imprisoning its executives for conducting business in Africa that didn't breach American law but violated Chinese regulations and was discussed on WeChat.

America has earned the nickname "Judge Dread," akin to the movie featuring Sylvester Stallone, symbolizing its role as the Judge, Jury, and Executioner.

3.1. Example of a Scenario.

Your company's decision to divide specific markets with a main competitor, opting out of entering the U.S. market, can potentially fall under laws prohibiting anti-competitive behaviour. This scenario illustrates how non-US companies might find themselves subject to enforcement actions.

3.2. Another Example of a Scenario.

Your company enters into an agreement to sell products to a distributor in Iran. While your country doesn't restrict trade with Iran, the contract specifies that payments for the products must be made in U.S. dollars. It's worth noting that the US Treasury Department's Office of Foreign Assets Control (OFAC) holds broad authority over commercial and financial dealings with sanctioned countries.

4. History about the enforcement of Extra-Jurisdiction.

Throughout the late 18th and early 19th centuries, the application of U.S. law beyond its borders primarily dealt with torts and piracy. By the early 20th century, this extraterritorial reach gradually extended into environmental and economic regulations, encompassing areas such as antitrust, banking, bankruptcy, securities, taxation, and labour.

From the 1970s onward, the expansion of domestic law's extraterritorial scope intensified, driven by U.S. policy agendas focusing on foreign policy and national security goals. Asserting authority beyond national borders has often led to contentious political clashes with both adversaries and allies, challenging the sovereignty of other nations.

A contemporary example is the ongoing conflict between U.S. and EU laws regarding Iran. In the 21st century, the proliferation of social media technologies and SWIFT's impact has further amplified this extraterritorial influence.

5. Causes.

U.S. dollar transactions serve as a conduit for extending the influence of U.S. law globally. The weaponization of the USD is chiefly propelled by its association with sanction programs. Over half of the world's currency reserves and trade transactions are denominated in dollars. Legislation such as the Patriot Act, Enemy Act, and IEEP Act (International Emergency Economic Powers Act) empowers the United States to weaponize payment flows worldwide. Coupled with access via Swift (referenced earlier), this global messaging system enables the U.S. to maintain control over global economic activities.

6. Consequences.

Using a payment channel via a U.S. bank can subject individuals to prosecution for violating laws concerning American assets. This grants the United States an extraterritorial hold over non-U.S. entities engaged in trade or financing activities with sanctioned entities. Such measures can significantly disrupt and destabilize financial operations, trade, and currency markets, causing disruptions for non-U.S. parties. The extensive power wielded by the U.S. through the dollar is a source of profound concern for many due to its far-reaching capabilities.

7. Economy.

Economic Warfare serves as a key instrument in America's strategic approach to conflicts with other nations. The weaponization of the US dollar plays a dual role, serving both as a tempting incentive and a formidable deterrent. This tactic enables the United States to extend assistance to allies, such as the UN, while adversaries may find themselves excluded from a substantial financial system dominated by the US dollar. The economy becomes a weapon through the swift implementation mentioned in the paragraph on Consequences. An illustrative instance of the US wielding swift as a punitive measure occurred in 2014 when it blocked numerous Russian banks from the SWIFT network amidst deteriorating relations between the two countries. SWIFT functions as an exclusive communication network for financial entities, ensuring the swift and precise exchange of information, particularly in money transfer instructions. The US has effectively harnessed this system to exert influence and control over the global economy.

8. Customs Clearance.

Challenges in customs clearance encompass various factors: unclear logistical planning, navigating border control and distribution laws, understanding diverse market legalities, managing financial risks and currency fluctuations, ensuring market demand, and fostering a diverse workforce. For businesses exporting beyond the U.S., adherence to these customs regulations is vital to avoid facing extraterritorial jurisdiction enforced by the USD. Moreover, secure communication is a crucial strategy while exporting, especially considering the looming threat of USD weaponization. Safeguarding communications from potential access by the United States becomes paramount to avoid legal complications associated with extraterritorial laws. Ubinodes offers numerous reviews on encrypted software and apps, providing insights to shield against potential USD weaponization (Source 13).

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