

WEAPONIZING THE US \$



Note.

This is a work in progress. While published, this is an ongoing meta-study and will be continuously updated. This article focuses on the threats faced by manufacturers wishing to export to the US or use the USD in their transactions. Follow us on Twitter for 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, Ubinodes aims to help our clients understand the complexities of exporting and importing products. This includes informing them about the United States and its actions involving the USD.

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1- Weaponizing of the USD.

The United States is weaponizing the dollar to maintain its global economic and geopolitical dominance. The U.S. produces 20% of the world's economic output, and over half of global currency reserves and trade are in dollars, a direct result of the Bretton Woods Agreement. Established in 1944, this agreement set the rules for financial relations among major Western nations. It required countries to adopt monetary policies that maintained exchange rates within 1% by tying their currencies to gold, with the IMF addressing temporary imbalances. This system ended in 1971, allowing the U.S. to control global currency supply.

The weaponization of the USD is closely linked to sanctions programs. Laws like the International Emergency Economic Powers Act, the Trading With the Enemy Act, and the Patriot Act enable the U.S. to control payment flows. Combined with SWIFT (Society for Worldwide Interbank Financial Telecommunications) technology, the U.S. can exert significant influence over global economic activities.

2- Prism Program and the Weaponization of the USD.

The Prism program, used by the US National Security Agency (NSA), collects private electronic data from users of major internet services like Gmail, Facebook, and Outlook. This extends the reach of the US government, allowing it to monitor and influence individuals and entities outside the US that may pose a threat to the USD. This capability enhances the weaponization of the US dollar by enabling broader control over global financial activities.

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

The United States has taken on the role of global enforcer, acting as the judge, jury, and executioner for international businesses due to its dominant position in the world economy. Companies that do not comply with US jurisdiction risk being excluded from the vast American market or being cut off from the dollar payment system and mainstream banking.

This enforcement process is often haphazard. Cases seldom go to court, and when settled, executives are often silenced with gag orders. Prosecutors apply increasingly broad interpretations of what constitutes a link to America, making it easier to prosecute. For example, indirect contact with foreign banks with US branches or simply using Gmail can suffice for prosecution. Imagine if China fined Amazon \$5 billion and jailed its executives for conducting business in Africa that didn't violate US law but breached Chinese rules discussed on WeChat.

This aggressive stance has earned the US the nickname "Judge Dread," after the movie character who embodies the roles of judge, jury, and executioner.

3.1- Example of a Scenario.

If your company agrees with a main competitor to divide up certain markets and foregoes planned expansion into the US, leaving that market to your competitor, you may be violating laws prohibiting anti-competitive behavior. This is another way non-US companies can find themselves subject to US enforcement.

3.2- Another Example of a Scenario.

If your company agrees to sell products to a distributor in Iran and the contract specifies payment in US dollars, you could face enforcement action from the US Treasury Department's Office of Foreign Assets Control (OFAC). Even if your country does not prohibit trade with Iran, OFAC has broad jurisdiction over commercial and financial transactions involving sanctioned countries, which could lead to significant legal and financial repercussions.

4- History about the enforcement of Extra-Jurisdiction.

In the late 18th and early 19th centuries, the reach of US law primarily addressed torts and piracy. By the early 20th century, US law began to be applied extraterritorially in areas such as environmental and economic regulation, including antitrust, banking, bankruptcy,

securities, taxation, and labor. Since the 1970s, the extraterritorial reach of US law has expanded significantly as policymakers pursued various foreign policy and national security goals. This extension of US authority beyond its borders has often led to political conflicts with both adversaries and allies. A notable current conflict involves US and EU laws regarding Iran. In the 21st century, this extraterritorial reach has been amplified by advancements in social media technologies and SWIFT systems.

5- Causes.

U.S. dollar transactions play a crucial role in extending the reach of U.S. law globally. The main drivers behind the weaponization of the USD include its association with sanction programs. With over half of global currency reserves and trade denominated in dollars, the USD holds significant sway in international finance. Legislation such as the Patriot Act, Enemy Act, and International Emergency Economic Powers Act (IEEPA) empowers the United States to control payment flows worldwide. Through systems like SWIFT (Society for Worldwide Interbank Financial Telecommunications), the US maintains substantial influence over global economic activities.

6- Consequences.

Anyone using a payment flow through a US bank could face prosecution for violating laws related to American assets. This grants the United States extraterritorial jurisdiction over non-Americans involved in transactions or financing with sanctioned entities. Such enforcement can disrupt and destabilize finances, trade, and currency markets globally, impacting non-American activities significantly. The extensive influence of the US dollar in these realms underscores its formidable power and capabilities, which can be daunting for many.

7- Economy.

Economic warfare has been a strategic tool for the United States in its international relations, allowing it to weaponize the US dollar both as a means of influence and coercion. This approach enables the US to support allies in need, such as the UN, while adversaries may find themselves excluded from the vast financial system dominated by the US dollar. SWIFT, a messaging network primarily for banks and financial institutions, plays a pivotal role in this economic strategy. For instance, in 2014, amid deteriorating US-Russian relations, the US blocked several Russian banks from SWIFT, demonstrating its ability to wield SWIFT as a punitive measure. This network ensures swift and secure transmission of critical financial information, empowering the US to exert considerable influence over the global economy.

8- Customs Clearance.

The problems with clearing customs are that there can be unclear logistical business planning, inexperience with border control and distribution laws, understanding legalities for each market, financial risk and currency exchange rates, determining if your product will sell, and not having a diverse workforce. If you are exporting outside to the United States following all of these customs is very important to not getting extra jurisdiction by the USD. All of this cannot be completed without having secure communications which is another important tip to use when exporting because of the threat of the weaponization of the USD.

Secure your communication so that it is not accessed by the United States so that you don't get in to trouble for not obeying the laws of the extraterritorial is of the utmost importance. Ubinodes has many reviews on encrypted software and apps to protect yourself from the weaponization of the USD (Source 13).

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