# The Control of Global Finance: The Elixir for United States Global Dominance

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***Abstract***
*This article considered global finance as the elixir for US global dominance; with emphasis on financial governance institutions, global investment instruments, global payment systems/currencies and their relationship to the influence the nations that control the bulk of the reward accruing from such trans-boundary transaction wields on the entire system. It adopted the liberal theory as tool and applied the content analysis as research design, relying on secondary sources of data. The study observed that geopolitical and realist theorists place emphasis on geostrategic location and defense capability as the guarantor of US global dominance. But this study revealed that global finance and its investment instruments coupled with the management institutions is the elixir that have guaranteed the US global dominance. It noted specifically that the creation of the Breton Wood institution, the pegging of the Dollar to the Gold standard, the Marshal Aid Plan for Europe and other similar plans for South East Asian countries and the emergence of trans-boundary investment instruments are avenues by which the US have maintain global leadership. Observing further that China and the emerging powers are getting to understand the influence of global finance in global leadership; as such they are devising strategies that will enable them project power through their financial clout, national currencies and other investment instruments. The study noted that the need to project power with investment instruments and national currency is resulting to trade war and the creation of multiple currency blocs that could worsen the instability and volatility of the global financial system. As such the study recommends the harmonization of the existing global governance institutions and their recapitalization to enable them act as the global lender of last resort and mitigate global financial crisis.*

***Key Words***: *Global Finance, Trans-boundary investment Instruments, National currency, Global governance institution, Global Payment systems*

## Introduction

The realist/geopolitical scholars argued that geostrategic location and military capabilities are the variables that have guaranteed US global dominance (Brookes, Wohlforth, 2016; Posen 2003; Gilpin 1987; Morgenthau, 1986; Mahan 1904; Spikeman 1944).Emphatically, Posen (2003), stressed that 'the command of the common is the military foundation of US global dominance'. By the above he meant that the US global dominance anchors on her leadership in 'sea, space, air and the infrastructure of command' under the control of her military. But he was quick to point out that the sources of such command are 'economic resources, huge scientific and industrial base and highly skilled and trained personnel to manage the system'. Consequent upon the above, this study contends that the command of the common is impossible except within the purview of the command of global finance. Reasons being that it take huge financial outlay to build infrastructures at sea to command the Strategic Sea

Lanes of Communication(SSLC), it also require enormous finances to place infrastructures in the space and above all it take great finance to supply the energy needs of these infrastructures and the men servicing or operating them. This explains why it have been acknowledged by mercantilist theorist that the things required for war is 'money, more money and still more money' (Rodrick. 2013).

On the other hand, their liberal counterparts holds that the US dominance is a function of their economy, democratic political culture, educational/technological innovation and immigration policies that encourage limited restraint (Peter, 2014; Kennedy 1989; Zakaria, 2009). Specifically, Kennedy noted that "economic shift heralded the rise of great powers which would one day have decisive impact upon the military/territorial order" The above view suggests that there is interplay between the economy and the military capabilities of any nation in the determination of such nation's power and influence. But the economy is seen from Kennedy's point of view as the starting point.

However, this study argues that the variables responsible for global dominance are relative and by relativity, we mean that there is no single absolute variable that has assured global dominance; rather all the variables interact on a consistent basis to produce the needed power that can guarantee influence. If there is any variable that can attempt to lay claim to absolution in the measurement of state power, the finance of such a state stand a better chance since it interact on a more consistent basis with other indices of power to produce influence. And since the liberal approach presented a broader perspective to understanding the power and influence of states; especially as it gives consideration to the 'soft' elements of states power as harmonizing the hard elements, the study deem it the choicest approach for this study. The above view is clarified by the empirical realities confronting the entire international system in relation to the power of the state. In the first place we noted that, though the US and Canada are located in the same hemisphere; the influence of the US is far greater than Canada. More so, though Russia has the largest geographical land mass with abundant natural resources yet her influence on the world is less compared to the US. On the other hand whereas China, India and Indonesia have the largest populations and the fact that Israel, Sweden, Finland and Japan spends more on research and development, yet the influence that the US wield on the world is far greater. Moreover, though the US has the greatest military capabilities currently, yet it has not been able to guarantee her victory in Afghanistan, Iraq, Libya, and Syria against terrorism (Kegley & Blanton 2011 Wallenstein 2007, 2013).The above makes it clear that not all the variables in the measurement of the power of the states have worked favorably for the US dominance of global leadership. It is also clear that some that have contributed to her dominance is gradually eroding in favor of her rivals. Nevertheless, the US still remains dominant.

The aim of the study is on the role of global finance in global dominance, other objectives includes to examine the term global finance; to assess its influence in the United States global dominance and consider how the dominance of the US in global leadership have triggered the rise of China and other nations. The question therefore is what is global finance? Why has the US remained dominant irrespective of her perceived gradual decline in the indices of power? How has such dominance triggered other nations to seek alternative approach to trounce US dominance? Based on the above, we assume that global finance gives impetus to the struggle for global leadership. And to effectively address the above concerns, the study adopted content analysis as research design with reference to secondary sources of data obtained by qualitative analysis of document unobtrusively gathered; and liberalism shall be the theoretical basis for such analysis. The study's response to the above question is at the heart of the control of global finance traceable to the creation of the Breton Wood institutions of the International Monetary Fund and the World Bank; series of innovative investment portfolios; the international character of the US dollars and the emergence of global monies and electronic payment systems. But the starting point shall be the clarification of the liberal theory followed by the term global finance.

**Liberalism as a Theory**

The liberal theory is an intellectual tradition that presents somewhat opposite view to realism which sees human nature as irredeemably desperate seeking its selfish interest. Adding that such nature of man is extended to the state which only acts based on national interest (Morgenthau1986). In other words, liberalism considers that though individuals act based on self-interest, yet he is a redeemable being; and the proponents of liberalism are persuaded that coherent principles can be applied among nations in their conduct of global affairs. Adding, that man and by extension the state is capable for cooperative venture with other states, and the ability to cooperate can help men and the state to unravel the problem of conflict and war within the system. Some of the proponents of the liberal theory include the following, Immanuel Kant, President Woodrow Wilson, Adam Smith, John Lock, Jeremy Bentham, Robert Rosecrance, Robert Keohane etc (Jackson. & Sorenson 2007).

They opined that human reason can trounce human fear; the pursuit of progress is possible in all spheres; the individuals must be treated as principled or honorable subjects; the freedom to private property is the anchor for economic progress for both individuals and the state (laissez-faire economic practices); the economy must be shaped by the forces of demand and supply-market economy is key to economic growth and development; the entrenchment of global norm with institutions to regulate its application etc. are all necessary for global peace, security and development (Kegley & Blanton 2011, Doyle 2008).The above liberal view has been classified into sociological, interdependent, institutional and republican liberalism (Jackson R. & Sorenson G. 2008).While the above liberal view captured liberalism that can best be described as liberal individualism promoted by the west, it also take into account certain aspect of current Chinese economic practice especially with reference to interdependent and institutional liberalism made popular by Rosecrance (1999), Keohane & Nye (1977) and Levy et al (1995).These liberals argued that 'economic development and foreign trade are more adequate and less costly means of achieving prominence and prosperity' (Rosecrance 1999). The view has somewhat inform Chinese economic practices and their membership of the World Trade Organization (WTO) and other international organizations like the New Development Bank, the Asian Infrastructural Investment Bank, the BRICS etc. are testimonies. But the above liberal perception failed to give account of the admixture of liberal and mercantilist features of Chinese economic practice in what we prefer to call liberal-mercantilism. It could be referred to as a command structured liberalism championed by China in line with Thomas Mun mercantilist theory which emphasized a corporatist vision in which the state and private business are partners and cooperate in pursuit of common objectives, such as domestic economic growth or national power(Rodrick. 2013).

This type of liberalism is characterized by state led infrastructural initiatives (One Belt One Road OBOR) and private business initiatives in distant countries as against the west individual led business initiatives like Marshal Aid Plan for Europe in the Post World War II era and other forms of foreign direct investment. The second feature of the new form of liberal-mercantilism is the emergence of alternative global governance institutions like the New Development Bank and Contingency Reserve Agreement as variants to IMF and World Bank. Third, the acquisition of bullions of gold for national wealth since in mercantilist view‘ more gold, create more wealth and more power’; the subsidization of export product and domestic debt deleveraging etc. Following the view of Mun ‘foreign trade ought to be encouraged, for, upon it hinges the great revenue of the King, the honour of the kingdom, the noble profession of the merchant, the supply of our poor, the improvement of our lands and means of our treasure’ (Mun 1664).

The utility of the above idea has become very appealing to the leaders of China that they are beginning to adopt a variant of market economic and democratic practices tailored to the Chinese culture. More so, they are gradually opening up to the wider world as opposed to their traditional closed economic policy. The drive towards opening up to the wider world is spurred by the need to use the great financial resource at her disposal to create investment opportunity and market access overseas for her products. Since Liberal-mercantilism rest on the wing of global finance for the entrenchment of a nation’s influence beyond her territorial borders, we shall examine the term global finance as a follow up.

**Global Finance**

Global Finance is a worldwide frame work of legal agreement/institutions that facilitates international flow of capital for trade and investment financing. (Robert & Alan M. 2008). It is concerned with monetary and macroeconomic interrelations between two or more nations and examines the dynamics of the global financial system, balance of payment, exchange rates, foreign direct investment and other portfolio investment (Cheol & Bruce 2015). Kegley & Blanton (2011) put it clearer, stating that global finance is ‘a broad variety of portfolio-type transactions, including international loans, foreign aid, currency trading, as well as cross border investments such as purchase of stocks, bonds or derivatives… and …foreign direct investment’. It relates to trans-planetary banking, trans-planetary securities and trans-planetary derivatives coupled with trans-boundary currency trading in what is commonly called Bureau De-Change and other international investment portfolios. For this study therefore, Global finance is seen as the reward accruing from the interaction between international investments, global payment systems, the institutions that governs it and national entities. In other words, the accruable benefits or rewards from such investments and institutions represent the instruments with which nations can project power in the international system and the Breton Wood institutions is a perfect example in recent history.

**The Breton Wood Institutions**

It should be recalled that in the pre-world war 1 era Britain had guaranteed the maintenance of the liberal economic order as she permitted her Pound sterling to be pegged to the gold. But due to economic decline after the 1st World War Britain could no longer guarantee the maintenance of the system. The United States which had the ware withal failed to step into the position of leadership and instead withdrew from the gold standard prompting others to follow suit thereby leading in part to the Great Depression of 1929 and the subsequent beggar-thy-neighbor policies that culminated into the Second World War. Towards the end of the war, it became clear that some kind of leadership was needed to ensure the stability and the guarantee of the liberal economic order. This led to the convocation of the Breton Wood Conference at New Hampshire in 1944 and the subsequent creation of the International Monetary Fund and World Bank (Kindleberger, 1973; Keylor, 2006).

The essence being to restore the multilateral international payment system, address the problem of exchange rate instability by re-establishing a modified system of exchange rate Keylor, (2006). Thenceforth, the Dollar replaced the Pound Sterling as the principal reserve currency, thereby making the Dollar key to the hegemonic role that the US assumed as the manager of the international monetary system. The Breton Wood system was based on fixed but adjustable exchange rates based on the Dollar and the Gold that requires a measure of government intervention for its smooth operation. Government intervention in a liberal system became necessary due to the point raised by John Maynard Keynes at the conference that strong government intervention will help to address the problems of inflation, unemployment and economic growth. But economic decline in the US following the rise in the price of crude oil occasioned by the adoption of quota system among OPEC members in the 1970s prompted the US withdrawal of the dollar from being pegged to the Gold and the end of the “Fixed but adjustable exchange rates regime” and the emergence of the “floating exchange rates regime”-a situation where the forces of demand and supply determined the value of national currency and its exchange rate (Kegley & Blanton 2011; Keylor, 2006; Ferguson, 2008; Kindleberger, 2005). Irrespective of the end of the fixed but adjustable exchange rate regime, the US dollars has assumed a dominant role in the global monetary system, thereby making it a magnet of transnational investment.

**The Transnational Investment Instruments**

Transnational investment instrument is also a notable feature of global finance and its elements have manifested in what Scholte (2008) termed trans-planetary banking, trans-planetary securities and trans-planetary derivatives. While trans-planetary banking relates to offshore deposit, lending, branch network and instant global interbank transfer of finance; trans-planetary securities relates to security instruments with global features. It involves bonds, equities and issuers, currencies, brokers and exchanges across multiple countries, American Treasury Bill, Eurobond, Sovereign Wealth Funds, Chinese Green Bondand euro-equity are instances to note. Added is trans-planetary derivatives instrument involving what is termed futures and options. While the futures give buyers and sellers opportunity to conclude a transaction at a predetermined time; the options gives the parties the right to buy or sell at a particular price for a specified time, swapline and warrant are other examples according to Scholte (2008).

The global nature of the above investment instruments tended to have weakened the sovereign powers of many states as their regulations have become elusive for states to handle. However, the US/Allies have maintained the control of the reward accruing from such trans-boundary transactions. This is so because, most states including those of the BRICS, until recently China and private organizations prefer to invest or save their money in the US or the Euro-zone due to low interest rate and high return on investment. Added to the above, is the credibility of investment instruments among the US/Allies and most importantly the character of the US Dollar. As such, Americans now manage 55 percent of world asset, thereby helping to strengthen the position of the dollar as the pillar of American ‘soft power’, The Economist (Oct. 2015).

**Figure 1: The Dollar Bill**

**SOURCE:** thebftonline.com

Consequent upon the above, the study asserts that the global community is infested with what it termed **dollar-mania**- a term that described the frenzy with which individuals, corporate bodies and governments acquire, store and invest in dollar related investment instruments. In other words the US Dollar is an instrument with which the US has dominated the world.
Moreover, the manner through which the US has deployed the resources accruing from the above is another way it has greatly influenced the world. In other words America's liberality is what has endeared her to the entire world not her military. Proverb 11:25 made it clear when it stated that "the generous soul shall be made rich and he that waters shall also be watered himself".

The provisions of the eThekwini declaration and other BRICS summit communiqués support the study's assertion that the control of global finance marks the beginning of the aspiration for global leadership and the establishment of NDB and CRA only reinforces such aspirations. Ecclesiastes 7:12 and 10:19 noted thus: - '…money is a defense…but money answers everything'. In other words just as the finance at the disposal of the United States enabled her to emerge as a global hegemon, so is the emergence of the China as a counterweight to the US closely related to the enormous financial resource at the her disposal. As the US through the Breton Wood institutions and the Marshal Aid Plan had tremendous influence upon the world so is China hoping to rule the world through the NDB, CRA, AIIB and the OBOR initiatives. Though it has been argued that American dominance was enabled by her control of global governance institutions- the IMF and world Bank- through "the conditionality attached to loans otherwise called the Washington Consensus or the Structural Adjustment Program (SAP)" (Stiglitz 2002; Dormael 1978; Williams 2003); this study thinks otherwise, in the first place the Breton wood institutions were there when the US single handedly financed the reconstruction of Europe through the Marshal Aid Plan; the reconstruction of Japan and the development of South Korea and Taiwan were all enabled by the US financial assistance. Therefore it is natural for US influence over these nations to persist as a symbol of loyalty.

From the institutional angle, the said influence being exercised by the US at IMF and World Bank has only been made possible because the US/Allies are contributing the larger share of the institutions' resources, consequently, since the US/Allies contributions are higher at the Breton Wood institutions, they have "permanent seats on the executive board and have the highest voting rights to determine who is elected among the 16 Directors of the IMF".

Though "decisions are usually taken by consensus, the US as IMF major shareholder has the most influence" (Armand Van Dormael, 1978; Stiglitz 2002).

Furthermore, the US contributions to the United Nations are evident. While the US has been responsible for "22 percent of regular budget", "37 percent of voluntary contributions for humanitarian program" and "27 percent of peacekeeping operations of the United Nations"; Japan a US ally though not a permanent member of the UNSC, contributes "16 per cent of UN regular budget". Whereas, China and Russia that are permanent members of the UNSC contributes just "2.7 percent and 1.2 percent" respectively to the UN regular budget (Patrick, 2015; Kegley & Blanton 2011).

Patrick noted specifically that in 2015, "the US paid $6.9 million for UN regular budget and $2.402 billion towards separate peacekeeping" not including voluntary contributions. In all, the US pays "$3 billion for UN more than 185 other countries combined". Judging from the above, it is natural for those making the largest contributions to have more influence in the management of their resources and the institutions such resources serve. The aphorism that he who pays the piper dictates the tune better explains the dominant influence the US/Allies have exercised in global governance institutions.

**The Global Payment System**

The control of global payment systems or what has been termed venture capital especially credit cards and other electronic payment systems by the US represent the private means by which they have ensured global dominance. For instance Visa, MasterCard, Chase, American Express, Discover and Citibank card holders if put together amount to '570 million excluding 8 million merchants that operate Visa card alone'. On the other hand PayPal, Due, Stripe, Flagship and a host of others are payment system with origin in the West and has facilitated the dominance of the US in global payment systems (Olenski 2016).

**Figure 2: MasterCard and Visa Images**


**SOURCE:** guyanatimes.com

But China's state controlled UnionPay is rapidly approaching the front line market to capture a portion of global market share from companies such as Visa and MasterCard. The Financial Times (2017) reported that 'in a span of just five years …more than 68m UnionPay cards have been issued in 40 foreign countries, including advanced economies such as Singapore and Japan. In Russia, UnionPay is tipped to link up directly with the country's payments system as the authorities seek ways to reduce the impact of possible future western sanctions'. Consequent upon the above, most financial experts and observers of the global monetary payment systems are of the view that the inroad of Chinese UnionPay is to expand China's influence in the world.

**Figure 3: Image of Chinese UnionPay card**


**SOURCE:** adyen.com/

Therefore, it is the domineering role the US have played in global leadership through the control of global finance and payment systems that the Emerging Powers led by China is contending with. In other words the control of global finance is the key to the current struggle for hegemony between the US; China, Russia and other the Emerging Powers. It is the view of China and Russia that the dollar which has enabled US global leadership should be done away with and the IMF/ World Bank reformed to ensure that they- the Emerging Powers- have greater say in its management. To ensure that the aim is achieved China and other Emerging Powers have also adopted financial approach to it by the provision of $75 billion to support the IMF on condition that the institution will be reformed to their advantage and the floating of alternative global governance institutions. Consequent upon the above and the influence of China's financial clout, the IMF/World Bank have deem it necessary to admit the Chinese Reminbi (RMB) into the IMF basket of currencies for Special Drawing Right (SDR) in acknowledgment of her growing influence in global financial system. The role of global finance as the elixir for global dominance is better appreciated with a critical and systematic analysis of data from global think tanks, government policy statement/initiatives and public speeches of leaders of the dominant states.

**Data Presentation and Analysis**

The data for the study were mainly reports of states departments coupled with leading nations' policy statements and other independent sources from global think tanks. These were authored by the departments of the treasury, defense, foreign affairs and experts from global think tanks and such documents were produced between 2004 and 2018. Some of which are the United States Department of the Treasury Report to the Congress titled Implementation of Certain Legislative Provisions Relating to the International Monetary Fund November 2016; The 13th Five-Year Plan for Economic and Social Development of the People's Republic of China (2016–2020); Objectives and Guiding Principles of China's Economic Development in the Next Five Years (2004). The independent documents from global think tanks used for this study includes the World Economic Forum Document by Harold (2013) titled Which Country Will Dominate the World Economy?; World Bank data (2017) Foreign direct investment, net outflows; The Global Financial Magazine (2018) Countries with the most FDI Inflow and United Nations World Economic Prospect 2016. The above listed documents were closely read by the researchers with a view to identifying certain quantitative data and the occurrence of the themes for qualitative data that have bearing on the study and such data and themes were used to address the questions of the study.

**Data Analysis**

While the issue regarding theory and the definition of global finance have been addressed in preceding sections, we shall at this stage analyze documents above in relation to the second and third questions of the study which are why has the United States dominated global leadership and how such dominance triggered the rise of China and other nations. To address the questions, the documents were analyzed on the basis of the nature of the data in question; while quantitative data were presented in statistical tables and bar charts, the qualitative data were analyzed qualitatively based on the content of the documents in relation to the study.

**Question 2: Why has the US dominated global leadership**?

The documents analyzed showed great concern for the role of global finance and institutions in global leadership. Harold (2013) a Professor of History and International Affairs, Princeton University while writing for World Economic Forum commented on the role of global finance and financial institutions in the entrenchment of US global leadership noting that:

> key requirement for global economic leadership is systemic importance in commercial, monetary, and financial terms. … Being a true global leader means shaping and connecting the global economic structures within which states and markets operate – something the US has been doing for almost 70 years.

He noted further that the US dollar is a force that have enhanced US global leadership, stressing that

> American leadership in global trade and financial and monetary governance rests on inter-related strengths. The US provides the world's key international currency, serves as the linchpin of global demand, establishes trends in financial regulation, and has a central bank that acts as the world's *de facto* lender of last resort.

Besides, through the machinery of IMF the US has advanced her national economic objective by influencing policies at IMF to her advantage. The Report to the Congress by the Secretary of the Treasury Department is instructive to the above as it

> requires the Secretary of the Treasury to submit a report on the progress made by (a) the US Executive Director (USED) in influencing the IMF to adopt various policies and reforms… and identify opportunities to influence the IMF decisions in line with broader US international economic policy objectives (p 2 paragraph 2&4).

Example of such policy instruments is US advocated conditionality attached is to IMF/World Bank grants. Countries that should access IMF grants are to deregulate, liberalize and privatize publicly owned businesses. As such the report noted further that,

> If a country fails to meet its commitments the program may be put on hold- and the disbursements cease until the government has taken action to put the program back on track (pp. 15-16)

Apart from such policy statements, national currencies as an aspect of global finance have presented itself as an instrument of influence in the hand of the US; and China/Russia are determined to counter the influence of the US Dollars by the promotion of alternative currency with a global reach. However, in comparing the global acceptability of the national currencies of the groups under study table 1 revealed that the currencies of the US/Allies is more globally accepted than those of China and the Emerging Powers. Consequently, the US/Allies have been able to project power by influencing the entire world with their national currencies. For clarity, the same is represented in the table and chart below:-

**Table 1: National Currencies of the US/Allies and the Emerging Powers Compared**

| Countries | Currency Symbols | Value against and for the Dollars | | Global Acceptability | | | Most Traded % |
|---|---|---|---|---|---|---|---|
| | | | | Official Users | Unofficial Users | Currencies Pegged to it | |
| UK | GBP-£ | 0.75 | 1.17 | 10 | 5 | 11 | 12.8% |
| EU | Euro-€ | 0.85 | 1.32 | 21 | 2 | 11 | 37.4% |
| U S | USD-$ | 1.00 | 1.00 | 9 | 33 | 27 | 80% |
| Japan | JPY-¥ | 112.57 | 0.0088 | 1 | 1 | NA | 21.6% |
| China | CNY-¥ | 6.659 | 0.150 | 2 | 6 | NA | 6.0% |
| India | INR- | 65.33 | 0.0153 | 1 | 2 | 1 | 1.1% |
| Brazil | BRL-$ | 3.142 | 0.318 | 1 | NA | NA | 1.0% |
| Russia | RUB | 57.80 | 0.0172 | 1 | 4 | NA | 1.0% |
| SA | ZAR-R | 13.89 | NA | 4 | 1 | 3 | 1.0% |

**Sources:** Swift Data: Release of ICC Global Trade and Finance survey 2017, www.swift.com/node/125806; Microsoft Currency Converter MSN Money 2017; www.msn.com/en-us/money/tools/currencyconverter
NA: Not Available

The figures presented in the above table indicate the exchange rate differentials and therefore the value of each currency compared to the dollar. While the British Pound Sterling which is highest in value among the listed currencies is exchanged at 1.32 dollars to 1.00 Pound, in other word $1 can purchase 0.75 GBP; the Euro the second in order of value exchange for 1.17 dollars to 1.00 Euro meaning that a dollar is worth €0.85. These three currencies represent the highest in value among the listed currencies and they constitute the US/Allies. On the other hand the currencies of the Emerging Powers are less in value as can be seen in the fact that 1.00 US dollars is exchanging for 6.659 Chinese Yuan/RMB, while Russian Ruble is exchanging for 57.83 to a dollar. In other words the US/Allies control the most valuable currencies compared to the BRICS. The fourth, fifth and sixth columns also reveal that the currencies of the US/Allies are more globally accepted and widely in use in multiple countries; specifically, the dollar is the most traded of all currencies listed as it account for 80% compared to Euro the closest rival at 37.4%.

Nevertheless, the Chinese Yuan/Reminbi is gradually evolving with a more acceptable international character as it was rated the 5th and 6th most traded currency in the world by the end of 2014 and 2016 respectively according to Swift data, (2017). It is obvious that the wealth at the disposal of China helped in the migration of the Yuan into the IMF SDR basket of currencies. Efforts at making the RMB assume a more international character is continuing especially with reference to the Chinese latest five year plan which stressed as follows:-

> We will take systematic steps to realize RMB capital account convertibility, making the RMB more convertible and freely usable, so as to steadily promote RMB internationalization and see RMB capital go global (Chap. 50, sect. 3)

Moreover the Yuan/RMB is set to challenge the dollar in the energy sector as China have been strategizing ways of making the RMB a currency for pricing energy products. Consequent upon the above, Foreign Policy (2018 Jan. 18) reported that 'after years of false starts, a long-awaited Chinese oil futures contract will make its debut on the Shanghai Futures Exchange.... Making it the first crude oil yardstick in Asia…, the first contract priced in Chinese currency'. Though the dominance of US in area of energy price in dollars maintains a commanding height, the fact that effort is being made to rival it indicate that China is ready to play a greater role in the global energy sector.

Equally important is that China and Russia are already dealing in their currencies separate from the US dollars. Indication of the fact that multiple currency bloc may be in the offing as China has begun to withdraw her investment in the US dollars in response to the call made by both Chinese and Russian leaders to 'dump the dollars' as the global payment system. On the other hand, China and Russia are channeling more of the finances towards the acquisition of bullions of gold in the hope that the value of their currencies will better be secured by a gold standard. The above further implies that China, Russia and other countries sympathetic to their course are ready and willing to distance themselves from the dollar payment system. If that be the case, it further shows that alternative currency bloc is under way and its implication may be grave for the stability of the international financial system.

**How has such dominance prompted alternative coalition by China and other nations?**

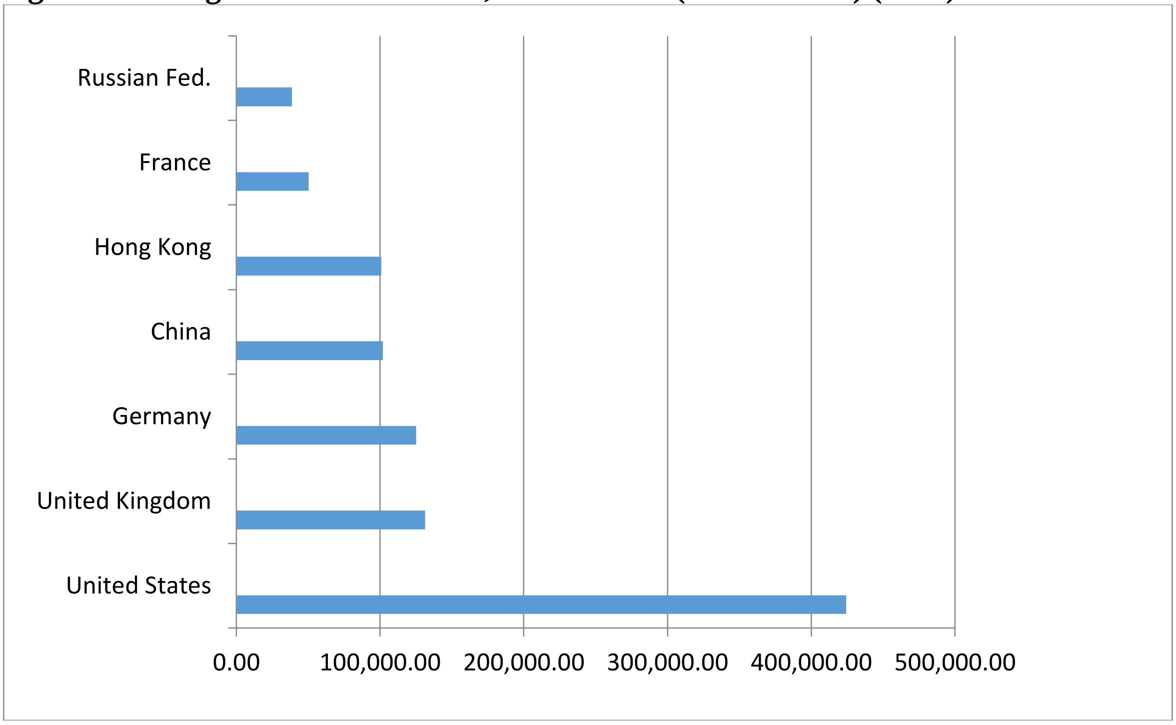
The analyzed document in response to the above question indicated that other nations such as China and Russia have realized that the US through series of investment instrument and control of global governance institutions has dominated global leadership. As such they themselves are poised to maintain a foothold on global finance to garner greater influence in the international system. In the first place, China had noted in her 5 year plan announce in 2016 that going global with series of investment instruments is the best option for China to realize her development objective, stating specifically that:-

> We will encourage Chinese financial institutions and enterprises to obtain financing in foreign markets. We will support enterprises in increasing overseas investment and becoming more deeply integrated into global production, value, and logistics chains. We will establish overseas production centers and cooperation zones for major commodities and actively build financial and information service platforms for outbound investment. …we will promote outbound investment by individuals and improve the accredited domestic individual investors system. We will establish an auditing system for overseas investment by SOEs or using state capital, and improve performance assessment and accountability systems for such overseas operations (Chap. 50 sect. 2)

The essence of the above is to reap the rewards accruing from international investment instrument and increase her influence in global investment portfolio, thereby bridging the gap of uneven global economic development it perceived in the world.

The uneven nature of global development is reinforcing the determination of China to use her financial clout in the area of Foreign Direct Investment to alter the US dominance. In the first place data from World Bank indicated the outflow of FDI from dominant countries and the chart below is instructive.

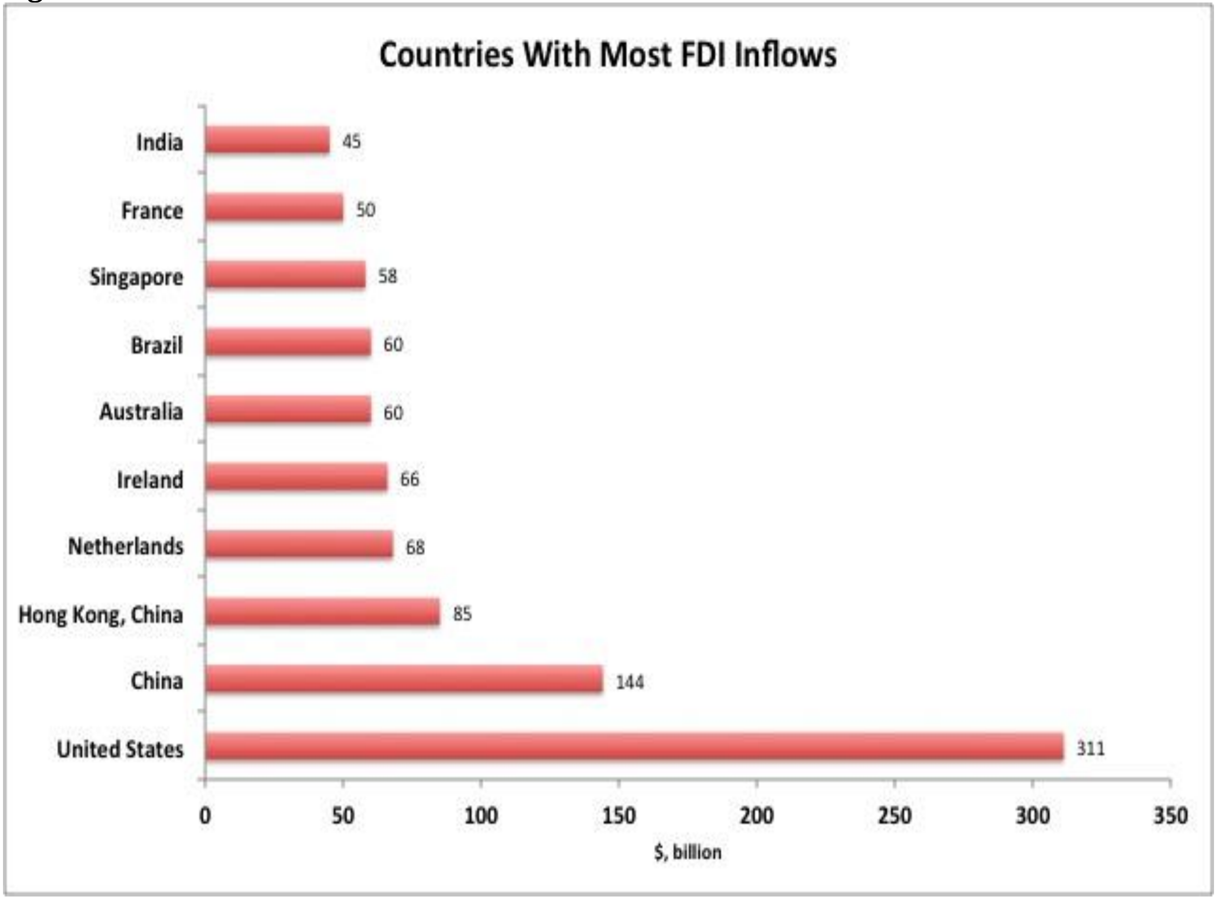
**Figure 4: Foreign direct investment, net outflows (current US$) (2017)**




***Source:*** *World Bank data on FDI outflow 2017*

Currently, the flow of Foreign Direct Investment (FDI) indicates that the US controls the larger share of global outflow and inflow which accounted for $424 and $311 billion respectively for 2017 according to data from World Bank and UNCTAD. On the other hand the outflow and inflow of FDI into China is increasing by the day as it accounted for $101 and $144 billion for 2017 respectively. When Hong Kong, a Chinese administered territory's share of $100 billion outflow and $85billion inflow is added, it becomes clear that China controls outflow of $201 billion FDI and inflow of $229 billion in 2017. That suggests that China is on the way to taking a larger chunk of global FDI outflow and inflow cum the reward accruable from it. The above have prompted the US President (Donald Trump) to declare that the jobs be brought back from China through such trade protectionist policies such as the 30 to 50 percent tariff on solar panel and washing machines; the 25 and 10 percent tariff on steel and aluminum respectively and the 25 percent tariff on about 800 products from China worth about $50 billion. All these are bids to reverse the finance flow from the US to China which is put at $60 billion as against $3billion from China. The figures of FDI inflow is presented in the chart below.

**Figure5: Countries with most FDI Inflow**




**Source:** UNCTAD Global Investment Trends Monitor, Global Financial Magazine 2018

The two charts above shows the strength of nations involved in transnational investments and how the reward accruing from such is a source of influence in the system.
Consequent upon the above, document from the Permanent Mission of the People's Republic of China to the United Nations office at Geneva (2004)

> stresses that the role of market mechanisms should be fully exercised in the implementation of the 10th Five-Year Plan, …and open wider to the outside world and strengthen cooperation with other countries; expand avenues of employment, increase the income of urban and rural residents steadily.

From the institutional angle the use of IMF/World Bank to influence other countries economic policies by the US has provoked China and other countries to seek reform of these institutions and in China's 2016 5 year plan, it stressed as follows:-

> We will help reform and improve the international economic governance system, actively guide the international economic agenda, safeguard and consolidate the multilateral trade system, work to see the international economic order develop in a way that facilitates equality, fairness, mutual benefit, and cooperation(chapter 52, par. 1). We will… participate actively in global economic governance and the global supply of public goods, seek a greater say in the institutions for global economic governance, and look to build more international communities

> of interests. We will strengthen cooperation with international organizations including international financial organizations and institutions, work actively to promote the development of the Asian Infrastructure Investment Bank and the New Development Bank,(Cha. 51, sect. 3)

The need to participate actively in global economic governance has prompted the establishment of alternative global governance institutions of NDB and CRA mentioned earlier; and the spread of branch network of Chinese banks beyond the shores of China and further enabling China to reap the reward accruing from global finance. The table below shows that Chinese banks are well spread beyond China's territorial boarders. Though the leaders of China calls this approach Chinese-styled socialism, its manifestation suggest otherwise. As far as such an approach relates to market mechanisms and the strong influence of the state, the term that best captures such practice is Liberal-mercantilism.

**Table 2: Top Ten Global Bank by Asset and International Network**

| s/n | Bank Name/ Country of Origin | Total Asset /2018 | other countries of operation |
|---|---|---|---|
| 1 | Industrial and Commercial Bank of China | 3,473 b | 60 |
| 2 | China Construction Bank | 3,016 b | 16 |
| 3 | Agricultural ban k of China | 2,815 b | 10 |
| 4 | MUFG/Japan | 2,626 b | 16 |
| 5 | Bank of China/China | 2,611 b | 22 |
| 6 | JP Morgan Chase/USA | 2,500 b | 60 |
| 7 | HSBC/Great Britain | 2,374 b | 67 |
| 8 | BNP Paribas/France | 2,189 b | 17 |
| 9 | Bank of America/USA | 2,187 b | 19 |
| 10 | Wells Fargo/USA | 1,930 b | 35 |

***Sources:*** *HSBC Holdings PLC, Agricultural Bank of China, Bank of America, JP Morgan Chase, China Construction Bank*

The figure in the table above indicates that Chinese banks have the largest asset and are growing in branch network outside national borders compared to other leading nations. The implication is that China has realize the role of global finance and its institutions in the entrenchment of global dominance and are poised to take advantage of it for her global influence.

**Findings of the Study**

The study found as follows:-

**(1)** Global finance is the strongest force for US global leadership and dominance
**(2)** Liberalism is evolving a variant which the study calls liberal-mercantilism
**(3)** China has discovered the influence of global finance in global leadership/dominance and has adopted it to influencing the international system.

Together, the documents from both sides acknowledged the place of global finance in world politics. The above indicated that global finance as a pillar of world politics is a notable instrument by which the US has dominated global leadership and the source of agitation by the China and Russia for reform. Again, failure to achieve the reform of the global governance institution at the expected time prompted the floating of alternative global governance institutions by the China and other Emerging Powers. Thereby giving credence to the assumption that there is interplay between the control of global finance and the struggle for global leadership.

Second, the document shows that China is adopting an economic approach that is akin to what the study prefers to call **liberal-mercantilism**. Though the Chinese leaders call it Chinese-styled socialism, its manifestations suggest otherwise. Reasons being that there is great profit motive behind such economic policies, for instance it stresses the value of 'structural adjustment' a term synonymous with the western capitalist system and the 13$^{th}$ 5 year plan aim to respond proactively to changes in the external environment so as to make better use of both domestic and international markets and resources, to ensure profit or what it calls 'benefit'. Specifically, the policy statement stressed thus '…we will help promote the liberalization and facilitation of international trade and investment, and take a firm stance against all forms of trade protectionism. We will safeguard the status of the World Trade Organization as the main channel in international trade and investment' (China's 2016 5 year Plan). In other words, the above suggest that China has become the champion of liberal economic practice albeit with a variance as mentioned above. On the other hand the United States that have been the Champion of liberal economic practices is turning gradually inward.

Third, the document revealed that huge financial resources at the beck and call of China has acted as the elixir to challenge the dominance of US by the formation of new organizations that operates independently from US' influence. And pursuing new initiatives and investment opportunities with policy statements that categorically oppose a unipolar world order in favor of a multi-polar world order or what has been termed counter hegemonic struggle (Robert, 2016). On the other hand the US acknowledge the challenges posed to their global dominance by China and Russia from policy statements and summit declarations Department of Defense (2012) and (2015); Wales Declarations (2014).

**Conclusions/Recommendations**

The study was on global finance as the elixir for global dominance; its emphasis was on global governance institutions, trans-boundary investment instruments and global payment system in the entrenchment of US dominance and how China, Russia and other Emerging Powers through their growing financial clout has floated alternative institutions, investment opportunities and initiatives that challenge the status-quo. The study also stressed the influence of national currency especially the dollar in US global leadership and how China and Russia intend to distance their nations from the dollar as the currency for global market place through the acquisition of gold bullion.

Consequent upon the above, we conclude that the control of global finance is the foundation of US global dominance. Although, it has been argued by Posen (2003) that 'the command of the common is the military foundation of US global leadership'; but Posen himself was quick to point out that such command was not independent of itself as its sources were traceable to economic productivity, research and development etc. As such our contention was based on the fact that whatever commands the US had over the common is due mainly to the financial resources at her disposal. To command the sea require huge financial resources to build naval capabilities, the same is applicable to the air and the space, let alone the infrastructures of command. It also requires the services of highly skilled manpower to manage the infrastructures of command and it take huge financial outlay to develop a skilled manpower. Unfortunately, we inferred that the US who has been the champion of economic liberalization is gradually abandoning the approach that made her prominent by the adoption of protectionist policies due to competition from China.

The study deduced further that China's, entry into the global investment landscape is increasing fierce competition for the control of global market share. The implication is that some states like the US whose global market share China's inroad is taking a chunk of, is beginning to adopt the protectionist trade practices. And it is already triggering the 'beggar-thy-neighbor' or tit-for-tat trade policies from other nations. Prompting the establishment of alternative investment instrument through the One Belt One Road initiative, issuance of the Green Bond in the Chinese Reminbi and presenting the Reminbi as an international reserve currency. The researchers therefore concludes that such initiatives is bringing about global trade war and is tending towards the creation of multiple currency blocs reminiscent of the pre-World War II era and that it could further entrench exchange rate instability and inconvertibility of certain currencies. Further, such policies could degenerate into greater global economic crisis that will threaten peace, stability and development of the international system.

We therefore recommend that rather than result to the beggar-thy-neighbor trade policies, and take the whole world back to the 1930s, the World Trade Organization's rule of trade engagement should apply to any nation found to have breach the rule guiding trade relations among nations. In other word, nations and individuals directing the affairs of their nations should call to mind liberal view upon which the WTO was established, that man as a principled being and by extension the state is capable of working together to address whatever challenge they may be confronted with as a group. And take the appropriate step to bring to order any nation found to be violating the trade rules through the multilateral trade dispute resolution mechanism rather than a unilateral approach, China's case against the United States is in order (WTO 2018)

**Strategic Investment Initiatives**

The study recommends further that wealthy nations should devise a new strategic investment initiative reminiscent of the Marshal Aid Plan to ensure development for regions of the world that lag behind in developmental terms. We make this recommendation with Africa in mind, since it is an era of trans-planetary investment, such capital flow should seek avenue in Africa. The initiative should target sector by sector investment with priority giving to the infrastructure, technology, manufacturing sectors and effective utilization of the coastal region as the gateway to the globe and a very key element of the economy. China's One Belt One Road initiative is a welcome development in this direction, but it should go beyond using it to funnel Chinese product, to concrete development in such regions. And the West should take clue from that and devise similar initiative for the continent of Africa and it will surely guarantee them a tremendous influence in the region.

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