

Geopolitical Economy Hour 17

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RADHIKA DESAI: Hello and welcome to the 17th Geopolitical Economy Hour, the show that examines the fast-changing political and geopolitical economy of our times. I'm Radhika Desai.

MICHAEL HUDSON: And I'm Michael Hudson.

RADHIKA DESAI: And today we are joined once again by the incomparable Pepe Escobar. Welcome back, Pepe.

PEPE ESCOBAR: Hi, everybody. Great pleasure to be with you both.

RADHIKA DESAI: Great. So Pepe and Michael and I are going to discuss the apparently unending series of summits and read their tea leaves to see what they tell us about how the world is changing.

And that summitry has been pretty exhausting. There was the fateful NATO summit in July, where much to his chagrin, President Zelensky failed to get even a timetable to get into NATO after having prostrated his country before NATO and having long ago so faithfully let NATO into Ukraine.

And then there was the BRICS summit in Johannesburg in August, where the organization defied pessimistic predictions and admitted six new members. This was followed by the G20 in Delhi, hosted by Prime Minister Narendra Modi.

President Putin attended the BRICS meeting virtually, but both he and President Xi, who had attended the BRICS meeting personally, did not go to the G20. They left their foreign minister and prime minister to do so.

However, then President Putin hosted the vitally important meeting of the Eastern Economic Forum that has been held annually since 2015 to showcase Russia's own pivot to Asia, which was, of course, a friendly one, unlike Obama's pivot to Asia, whose purpose was to, of course, escalate tensions with China.

At that summit, which barely rated any coverage in the Western media, President Putin not only underlined the absolute priority of Russia's own Far East and its development, but also Russia's relation with other Far Eastern economies, which are increasingly, of course, the dynamic center of the world economy, as we have been talking over so many shows.

And President Putin also announced that Russia was planning to follow its already spectacular development of hypersonic weapons, which had already caused a Sputnik moment in Washington, D.C., with new weapons, apparently, we are told, based on hitherto unused physical principles, using laser technology, ultrasonic technology, radio frequency, and whatnot.

So this will apparently also, according to President Putin, yield new principles of action in war.

After this eventful Eastern Economic Forum came the G77 plus China meeting in Havana, where China has restated its commitment to the development of the majority of humankind as the principle that should govern international relations.

And of course, now, at the moment, the world is watching as the United Nations has its regular annual meeting in New York, where thanks to his waning popularity, both at home as well as abroad, President Biden seems to be wanting to propose democratic reforms for the United Nations, including the expansion of the United Nations Security Council.

Now, the reason these summits have been so hectic and have felt like such a whirlwind of events is simply because each of them has been marking time with the accelerated tempo of change on the international plane, that is to say, the rapid shifts in the world order. And these are the changes that we want to examine in this conversation today.

So Pepe, I thought maybe it would be really great if you started this off because you were at the Eastern Economic Forum and that's one of the least talked about of these summits. So why don't you start us off by telling us what your takeaway was from that?

PEPE ESCOBAR: To be frank, Radhika and Michael, I should not be here now. I should be in Kamchatka Peninsula, you know, or the Sakhalin Islands.

When I was at the airport flying back to Moscow, I was desperate because I was looking at my options and I said, oh, my God, everything is there. Blagoveshchensk, which is the border of Russia and China in the Amur, the Altai Mountains, the Kamchatka Peninsula, the Sakhalin Islands, Buryatia.

And I said, oh, my God, I have to fly back seven time zones to go back to Moscow and work. OK, I want to drop everything and stay here, especially because one of the days of the summit, I spent the whole afternoon going to all the stands of the different provinces and talking to the representatives over there.

They had very, very good businessmen, startups, official representatives. So you can go to the Buryatia stand and in one hour you will know everything about Buryatia and you have an invitation to go to Buryatia to see the development of the province.

When I visited the Tatarstan stand, they gave me an official investor's guide in Tatarstan, which I'm going to start distributing to everybody, including you guys. You know why? Because the summit of the BRICS next year is going to be in Kazan, which is in Tatarstan.

So when you see all that live in front of you and you talk to the people from the provinces and you see how it's this public-private partnership in terms of sustainable development, you know, these gigantic islands, you know, three million square kilometers or so, then it starts dawning on you that, well, this is Asia-Pacific on the move, really.

And the even more outstanding factor is that, for instance, for Japanese, for Koreans, for other Asians, when they arrive in Vladivostok, they say, ah, this is the European capital of Asia. In their minds, Vladivostok is Europe.

But the minute I arrived in Vladivostok, I said, no, I am in Asia. Well, I lived in Asia since the 90s, the mid-90s. So for me, Vladivostok was like if I was in a Chinese city or somewhere in Southeast Asia, of course, a slightly different climate.

You see Koreans, Japanese, the locals over there, and you feel that you are in Asia. And the first restaurant where I had breakfast was the Singapura restaurant. And I thought I was in Singapore eating Singaporean food. You know, but it's fascinating to see the contrast.

And of course, to see in practice what Putin said in the beginning and at the end of his address to the plenary session of the Eastern Economic Summit. The Far East is going to be the strategic priority of Russia until the end of the century. So this means this is extremely serious.

This pivot to the East, in fact, started in 2012. Before 2012, Vladivostok was a little bit left, you know, was a backwater, in fact. Then what did they do? They built those outstanding suspension bridges.

So now the circulation, different areas of Vladivostok is much easier. The city started to expand. They built an absolutely outstanding federal university. We had the summit at the campus of the university.

I was comparing it to universities in Europe, and it's a joke. If you compare to anything in France, in Germany, in the UK, or in Italy, compared to this federal university, the dormitories, you know, the green expenses in front of a bay, you know, departments, hyper well-staffed, lots of funds. And it's literally seven time zones east of Moscow.

So you are really deep into Asia, in Russian Asia, in Asia-Pacific. And if anybody mentions the term called Indo-Pacific, nobody will know what it means, because it means absolutely nothing. These are the people who actually live in Asia-Pacific.

And in terms of all the provinces in the east, east of the Urals, southern Siberia, and the far, far east, like, for instance, the Kamchatka Peninsula or Buryatia, which is closer to Europe, it's amazing that the pace of development and the pace of innovation is outstanding.

I was talking, for instance, with Chinese scholars. There was a huge Chinese delegation and some excellent scholars, like Wang Wen from Renmin University in China. And for them, it's a completely different Chinese perspective in terms of, this is great, this is fantastic, but they need infrastructure badly.

Wang Wen said that at least 10 times in his different panels. And it's true.

And then I was checking with the locals. They said, ah, he's absolutely right. Do you know that between Vladivostok here and Khabarovsk, which is the second most important city in the far east, there's not a highway?

And, you know, the road absolutely sucks. And this is something that Chinese can build in six months, easy.

On the other hand, we have already an expanding Vladivostok Airport. You know, they're going to build airports in all these other areas as well. There are even a small airport in the Kamchatka Peninsula, literally under the volcano, reminding us of Malcolm Lowry.

And you can see how all these development projects are in sync. And of course, the Chinese, when they look all around, they said, yes, we're going to invest here big, big time.

In fact, Putin's address, which was very detailed in numbers, especially in numbers and in terms of actual investment, the Chinese were looking around and said, OK, now we're going to come in full force.

And when I was talking to Wang Wenda, among others, he said, yes, from now on, expect an avalanche of Chinese investment in the whole far east. And then right in the middle of all this frantic action, we got the train kept a rolling episode of our friend, Kim Jong-un.

And the day that we knew that the train had left Pyongyang and it was actually crossing the border. Many of you maybe don't know that the border between Russia and North Korea is only 140 kilometers away from Vladivostok.

So it's literally around the corner. So everybody at the front literally stopped and said, wow, Kim Jong-un is coming here.

No, in fact, a little more drama. He went to another city and then he went to other parts of Primorsky Krai and he came back to Vladivostok and he visited the federal university when we had all left. So obviously there was a security element to all that, right?

But the fact, the timing of Kim Jong-un arriving at Primorsky Krai, this whole region and Putin also in his speech saying that, yes, the relations in North Korea are very, very important. And basically hinting that the geoeconomic integration of North Korea to the larger, greater Eurasia partnership now is on.

And in terms of timing and in terms of a mega announcement, it couldn't go bigger than that. Because on one side, we have that absolutely ridiculous summit with Biden and his South Korean and Japanese vassals.

And on the other side, we have a de facto geoeconomic, geopolitical and military, I wouldn't say alliance, but let's say *entente cordiale* as the French would detail between China, Russia and the DPRK.

And in one of the columns that I wrote about it, in fact, the second one that I wrote for Sputnik was published by Sputnik early this week. I tell the backstory of how Putin ended up seducing Kim Jong-un.

Because I don't know if many of you remember, immediately the first two years of Xi Jinping, there was an enormous animosity between Kim Jong-un and Xi Jinping. And the Chinese didn't know how to control their ally. Let's put it this way.

Guess who was the middleman? And guess who ended up having this diplomatic coup, which is strategic coup as well, that lasted, I would say, practically 10 years or so?

Putin, once again. And it took him 10 years to get Kim's trust, to bring Kim closer to Xi, and to bring this triad to become a geoeconomic and geopolitical reality.

So imagine all that happening seven time zones east of Moscow. And you can imagine how the Western media treated it, all that. It didn't exist.

To start with, Michael and Radhika, there were no Westerners at this forum. I was probably one of the very, very, very few. And my French friends, one of them hosts a show on RT, he told me, look, I found four French people here. And that's it.

And nobody else, no Germans, no Americans, no Canadians, nobody. No Westerners at all. And it's one of the most important gatherings of this millennium, I would say. Setting the tone for this strategic pivoting by Russia to the Far East, and this geoeconomic and geopolitical union with North Korea.

So this is the very, very short story of what happened in Vladivostok, guys.

RADHIKA DESAI: Oh, that is absolutely fascinating. And I just wanted to say, you know, you said that in the Western press, the summit between President Putin and Kim Jong-un was largely ignored. But I noted that at least one story referred to the Russia's alliances on the one hand with countries like Iran, and on the other hand with countries like North Korea as an alliance of essentially dictators.

PEPE ESCOBAR: Dictators.

RADHIKA DESAI: Exactly. So, you know, there's always a way of portraying this in a negative light, you know.

But by the way, I completely agree with you. Not only are you seeing that, of course, I mean, East Asia has been essentially a far more dynamic hub of the world economy for a long time. And of course, today, in many ways, it represents a far more weighty part of the world economy.

Because if you just take GDP figures, in any case, it is catching up to Western countries. But if you factor in the fact that, you know, much of the GDP that is generated in the Western countries is actually not manufacturing or production of any sort. It's merely the smoke and mirrors of financial GDP.

Actually, this is the dynamic center of the world's productive economy. DPRK is a central part of this productive economy.

It's astonishing, you know, when you look at pictures of where Korea was when the war ended, you know, at the end of the war, with hardly a building standing. I mean, it is said that American pilots towards the end of the war were complaining that they had nothing left to bomb because they had already been given orders that buildings above, you know, I don't know, a couple of dozen feet of height should be bombed.

PEPE ESCOBAR: Pyongyang was completely destroyed.

RADHIKA DESAI: It was destroyed. And now you see the ability of the Koreans to produce what they are producing to more or less run the economy in the way that and defend themselves. I think it's really amazing.

And I think that Putin, if it is indeed, as you say, President Putin, who has made, you know, brought North Korea sort of back into the full membership of this very productively dynamic part of the world. I have to say that the United States attempts to try to, you know, create essentially to perpetuate the vassalage of Japan and South Korea is probably not going to work very well.

The fact of the matter is that already we know that Japan throughout this Korean conflict has continued to maintain energy cooperation with Russia. And we know also that South Korea, although it may not have as much investment with Russia, South Korea will be extremely inconvenienced if tensions with China rise, which they will rise because President Biden has nowhere else to take it.

So, you know, for all these reasons, I think your observations are spot on. And I wish I could have been there as well, because I have no doubt that it's.

And of course, the other part of the Eastern Economic Forum is that it's also about developing the east of Russia. So in a certain sense, actually, you know, this is kind of like Russia's own version of a BRI, because the Belt and Road Initiative for China is about developing, of course, infrastructure and so on in the world as a whole.

But it is also about developing China's less developed west. And this is about Russia developing its less developed east.

PEPE ESCOBAR: Just one thing. If you allow me two minutes, Radhika and Michael. Very, very important. There were extremely important delegations from all over Asia at the forum.

For instance, there was Laos, Vietnam, the Philippines and Myanmar. They had very, very important delegations and they were intervening some of the major panels as well. Indians, very important Indian delegation. Chinese, obviously.

So major players from Southeast Asia were there. And this points to another diplomatic success by the Russians, which is they're getting relationship between the Eurasian Economic Union and ASEAN closer and closer.

So soon we're going to have even more free trade agreements between the EAEU and ASEAN. They already have with Vietnam, for instance. They have with Myanmar. Soon they may have, next year, they could have it with Indonesia. There were Indonesians in Vladivostok as well. So this was very, very important.

And to see the Asians together with the Russians discussing economic integration, this is something almost cannot even be commented in the West because they don't even know what it means.

RADHIKA DESAI: Absolutely. And in fact, that reminds me of something else, which is that, you know, back in the spring, I was at a conference at the Higher Economics School, which was originally Moscow's most neoliberal university.

PEPE ESCOBAR: Higher School of Economics. They are fantastic.

RADHIKA DESAI: Oh, yes. And HSE. And the fact of the matter is that at this conference, prominent Russian intellectuals like Dmitry Trenin, who had been the head of the Carnegie Endowment in Moscow, Sergei Karaganov, who is one of the founders of the Valdai Club.

These were the people who were saying that, you know, the days when Russia looked to ally with the West are over. Russia will never return. They are over. Russia will never return to those days. And then towards the end, Karaganov even said, whoever in any case, whoever wants to ally with the West, it's boring. The real excitement is in Asia.

So in that sense, I think that, you know, absolutely. I think that this is and this new world majority that is forming, the Russians have decided to call the grouping that they are part of, which is basically everybody other than the West and perhaps and Japan. This grouping, you know, the West, Japan, Singapore, South Korea, etc.

This grouping they call the world majority. And certainly one of the things we've been seeing in all these summits is the onward march of the world majority. And the second thing is that, you know, I said earlier that the United States is going to find it very difficult to keep this group, its own alliances together.

It's been trying to woo India away from this alliance on the grounds that India is a democracy. But with the recent developments where Canada has accused India of essentially assassinating a Canadian citizen on Canadian soil, I think that this pretends that this is an alliance of democracies is not going to, you know, stand up to much scrutiny.

PEPE ESCOBAR: Stand up, yeah.

RADHIKA DESAI: So, so, so, yeah, Michael, did you want to add anything?

MICHAEL HUDSON: Well, my thought is really on how Europe's economies are falling apart, not on and you're talking about how the rest of the world is building up.

So obviously, the implication is that Europe is being left out. And Annalena Baerbock, I guess, Baerbock said just last week, if you trade with Russia, it's dependency.

If you trade on their oil, if you trade with America, it's not dependency. That's freedom. And we have to avoid trade, not trade with the people who, as Pepe said, autocrats, everybody who's not trying to overthrow and interrupt with this prospect is called an autocrat.

Because what that means is that the public sector is taking a major role in all of this infrastructure. It's not, it's not being privatized in this road that Pepe mentioned from Vladivostok.

If they build it, it's not going to be a toll road, probably not like New Jersey.

PEPE ESCOBAR: Not a toll road, exactly.

MICHAEL HUDSON: That'll be financed by American capital that will all be, be paid very rapidly.

So we're dealing really not only with a geographic split, but with a split of economic structures, a mixed public-private economy, not like the Western public-private partnership, which you socialize the losses and privatize the profits, but something where the aim is really not to make a profit, but to make the overall economy grow.

That's the basic principle in all this. And the only thing I can say now that you're talking about how the West has ignored what you're doing, there's a reciprocal ignorance there.

By the East, yesterday, the United Nations opened, and actually I watched the 6:30 News, and the 6:30 News had a split screen. On the one hand, there was Ukraine's President, Zelenskyy, giving a speech, and on the other was a stock footage of the General Assembly, everybody there, everybody in their seats, and it was the boring speech.

But then when it was off, I thought, well, that's only two minutes. Let me look at the internet and see what happened. And they actually had a picture of the General Assembly while Zelenskyy was speaking, and it was almost entirely empty.

The global majority had walked out, except I think there was an African delegation who were talking among themselves and laughing while Zelenskyy was speaking.

So you have really two different worlds, and they don't seem to be mixing, except for the extent that the United States can try to come in and slow down the whole process and try to prevent the clock from moving.

RADHIKA DESAI: Well, absolutely. I mean, one of the things that we are going to see is already you are beginning to see protests in Europe emerging against the kind of economic devastation that the war is causing.

Poland is now threatening to stop backing Ukraine. So at the European level, the sort of unity that the United States keeps trumpeting is going to break down.

But the funny thing is that I think we are going to watch kind of really an odd sort of unfolding, because it's more and more become clear to me that President Biden, since he's running for re-election, and God only knows why he's running for re-election, because this seems to be increasingly unlikely that he will win, but nevertheless, since he's running for re-election, the last thing he wants in the world is for him to have to declare that he was defeated in Ukraine.

So that is why they will keep funding the war in Ukraine. They'll keep saying, you know, we stand by Ukraine, et cetera, for domestic political reasons, even though essentially, as far as I can tell, the West has lost in Ukraine, but they'll keep up the pretense that they might yet win until after the election, which means that for the next year and a bit, this is what we are going to see, you know, coming from the United States.

But that is precisely the time period in which both the elites and the ordinary people of Europe may begin to say, OK, the cost is too great. You know, we've got to stop this war and so on.

MICHAEL HUDSON: Yeah, I do want to say something about Europe then. You can see what the effect of the war is on the sanctions against Germany.

What was happening before the war, before 2022, was Germany was supporting the euro's exchange rate, and it was German industrial exports. And what it was doing, it was producing these industrial goods by importing gas and energy from Europe, and it was paying for them by exporting automobiles and industrial products.

So Germany and the EU balance of payments with Russia was essentially they weren't running a deficit. They was all in balance. And the euro was stabilized because there wasn't outward pressure.

But now that the sanctions have become what you call the Ukraine war is really the U.S.-NATO war, the U.S. war against NATO to absorb it into the U.S. economy.

So look at what's happening now. Not only is Europe being told to increase, to replenish all of the arms that have been destroyed, and that's about 2 percent of GDP, Europe will now have to spend about 3 percent of its GDP on replenishing the arms, not from Russia or China, but from the United States.

That means not only will the budget deficit not permit any more domestic spending to help pull Europe out of the depression, but it's going to be a balance of payments outflow to the United States while Europe and especially Germany buy U.S. gas and other, as well as arms from the United States.

Well, what this means is that there's no reciprocity there. The United States is not going to do what Russia did and turn around and buy German and other European industrial exports because the United States is protectionist.

So it's going to be a one-way payment instead of a balanced trade from the euro to the United States. And I did an interview with a German press yesterday, and the belief now is that the euro is going to go down right through the dollar to 90 cents, maybe 85 cents in the next few years.

Now, imagine what this is going to do. The euro's balance of payments deficit is going to raise prices because prices are set internationally for all raw materials, for imports. It's going to make the cost of living higher.

Well, the government, Baerbock said she doesn't care what the voters say. She has to make the world safe for democracy, which means autocracy and the old pre-Orwellian, double speak.

And this means there's already large scale unemployment there. Germany is going to end up looking like Latvia and Estonia.

Where are the German workers going to move? They can't move to the United States because that would be competing with American labor. And the United States has set up its barriers.

Is it going to move to Russia, China, Kazakhstan? Who knows what it's going to do? But the United States has lost Europe. And as you say, Asia has turned its back on Europe.

Europe has nothing to offer except subservience to the United States. So you can just see that this whole part of the world that was the center has now fallen off. Fallen off the edge.

It's the contrast of your perfect diagnostic, Michael. You explained the European malaise in five minutes.

And when you compare to what they are discussing in China, in Asia, in Southeast Asia and in Vladivostok for that matter, for instance, there were panels in Vladivostok about relationship between BRICS and the Eurasian Economic Union. There's a more or less a consensus that sooner or later they have to get sit at the same table and start discussing among others a new payment settlement system.

In one of the panels that I had the honor to be part of, there were only heavyweights, in fact, including one of the best Russian economists, Andrei Klepash. He works for VAB Bank. There was people from the Duma as well.

Sergei Glazyev intervened online. His deputy, his number two, Dmitry Mityaev was also part of the panel. And of course, Klepash came up with a very wonderful definition. He says that a currency by definition has to be liquid and stable like vodka.

So at the moment, we're not there yet in terms of the new Eurasia currency, which is being debated, especially here. It's one of the key debates everywhere. But I have a question for both of you, because this question came up in Vladivostok.

And it's a little bit of a rage here as well, which involves the Bank of International Settlements and the IMF. Nothing can be done by the BRICS as long as the IMF continues to dictate, as Michael explains very well all over the world, the terms of their collaboration with the Global South.

Considering the fact that all the central banks of the BRICS countries are part of the Bank of International Settlements. I know that you can explain this in one or two minutes, and I'm sure the audience will be very, very interested.

And also an extra problem. The fact that the new development bank, the BRICS Bank, basically, essentially, as Glazyev has been saying all the time, it's still dollarized. And how are they going to escape from the fact that they are dollarized?

This is something that if I have the chance, a question that I'd like to pose in China next month. But for the moment, the discussion here is raging about all this.

MICHAEL HUDSON: There's a real problem. And last time we talked, I said, well, before there's a formal currency which needs governments all to get together, they're going to have to hold each other's currency for a while with currency swaps.

But the Financial Times just had a very interesting article yesterday about Russian sales of oil to India. Russia's been selling its oil to Europe by way of India. And the Europeans pretend that this is not sanctioned oil because it's Indian oil from, as we all know, India's vast oil well reserves.

It turns out that India pays Russia in its own currency that is unconvertible; their blocked currency. Just like the German blocked marks of the 1920s. The Indian rupees that have paid Russia can only be spent on imports from India.

And this is not a free market in currency. This is not stable. What on earth is Russia going to do with this huge mass of rupees that can only be spend on Indian exports.

This is something that cannot last a long time. And the United States, recently in visiting India, has jumped on this and said, look, this is all going to end. You'd better throw in your lot with us and block the Belt and Road.

Remember, you're fighting China up near Tibet in the Himalayas. You really have to join NATO, basically. And so that is the subterranean, that's the pressure.

And the United States, having mounted a coup in Pakistan last year, is saying the same thing to Pakistan. Don't let the Chinese pipeline go through Pakistan. What you want is for the oil to be from a port to a ship to a railroad to a port to a ship back to another railroad.

I mean, this crazy line that the United States has tried to get as an alternative to the Belt and Road. This is the issue that the United States is trying to do, to interrupt this whole continuity.

And that's going to be the political fight that I think unfolds during the next 12 months.

RADHIKA DESAI: You know, that's really an interesting point, and I want to come back to that. But first, let me just answer Pepe's original question, because you see, Pepe, the two institutions that you mentioned are quite different, right?

So the Bank of International Settlements is essentially like an international club of central banks, which is fine. I mean, you know, it cannot impose anything.

The IMF, on the other hand, can only impose its writ to the extent that countries borrow from it. And it's really interesting to look at history from this point of view.

You know, there were throughout the 1980s and 1990s, there were numerous complaints about the way in which the IMF treats third world countries, developing countries. And in those days, there was a debt crisis

pervaded the third world. So you got to see that.

And of course, these complaints were mounting. But then when people saw the manner in which the IMF intervened in South Korea after the 1997-1998 East Asian financial crisis.

PEPE ESCOBAR: I was there, I saw it firsthand. Exactly.

RADHIKA DESAI: So please add to this. But let me just say when people saw the way in which the IMF intervened in Korea, treating it as though it was just another third world country, essentially creating an opportunity for American corporations to buy Korean firms at knockdown prices and such like things, people really realized how bad it is.

And in fact, since that time, the IMF portfolio began to shrink. They had fewer and fewer people, countries were borrowing from it. And the other thing as well is that once the United States at that time started, its low interest rate policy in order to try to keep the housing bubble going and so on, this low interest rate policy sent a lot of capital searching for returns abroad so that private lending to third world countries increased.

So, you know, people were not, you know, countries were not borrowing. So the IMF had almost become irrelevant until then the 2008 crisis happened and then it got more borrowers.

But to this day, the IMF is not really very popular among third world governments.

So I would say that in order to escape from the clutches of the IMF, the important thing is for countries to create alternative sources of finance. China is taking a lead in this.

But I would say that we are still at that liminal phase where this is not sufficient to replace the IMF. But I think that BRICS countries should probably be thinking hard about, on the one hand, decreasing the need to borrow, particularly the need to borrow in dollars.

And then secondly, to the extent possible, to increase the available capital for lending in other currencies.

MICHAEL HUDSON: The IMF is basically a war lender in two senses. Its biggest client recently was Ukraine, of course, but now Pakistan, too.

Pakistan made a deal with the United States last month. The IMF promised to give it a loan to buy American arms. So the IMF has now become the major funder of countries purchasing American arms.

It's a branch of the American military-industrial complex.

And of course, the other war is class war of the 1% of the dictators in Argentina and other countries against the 99% in their country.

And the IMF has supported capital flight from these countries. Now, the problem that the BRICS have is not simply avoiding the IMF.

How on earth can they afford to make their public investment in infrastructure and roads and the things we've been talking about if they have to pay the existing backlog of foreign dollarized debt that has been run up under IMF sponsorship, saying this is all how the economy works?

It's not how the economy works. The IMF has sponsored junk economics and the identical balance of payment theory that bankrupted Germany and Europe in the 1920s. The idea that you can pay any amount of foreign debt if you just pay your labor less.

And the idea of the BRICS countries is to raise living standards. For one thing, if you raise living standards, labor is more productive. If you pay for their education, you feed them well, you keep them in good health, they're going to be more productive.

The opposite of what the IMF says. So if you're going to have a philosophy that's the opposite of the old neocolonialist financial imperialism, you have to make the BRICS break from the West, not only trading among yourselves. but saying, we're going to have a moratorium on foreign debt.

The moratorium may last forever, just like in 1931, the Bank for International Settlements organized a moratorium on German reparations and inter-ally debt because they said, if these debts are paid, you will

have chronic depression throughout Europe and the United States. So the debts couldn't be paid. You need a new 1931 today.

And the BRICS countries, BRICS Plus, can say, we were given bad advice and we weren't in control because the leaders of our countries who signed these promissory notes were installed by US interference and meddling in our economy.

And just as Central Africa is freeing itself from the legacy of French colonialism and taking its own natural resources under its control, we're taking our resources under our control.

Forget the debts. You can bring it up all you want in future decades, but we're not going to pay for now because we can't pay. And we're not going to sacrifice our lives and our economies for the legacy of colonialism, which would simply maintain the whole purpose of colonialism, which is control and extracting the economic surplus from the global majority.

PEPE ESCOBAR: If you allow me, one minute, very briefly for both of you. We still have an enormous practical problem, which is something that was not really discussed during the BRICS summit.

And in Vladivostok, some of the economists alluded to it, but we didn't have time to get into detail. The fact, how are we going to de-dollarize the BRICS bank, the new development bank?

This is something that Dilma Rousseff, former Brazilian president, now president of the NDB, she said that a few months ago, and she said that during the BRICS summit. Ah, our goal is to have 30% of our loans bypassing the dollar in the next few years.

But this is completely nuts. It should be like 70% or 80% now. And you're going to wait for 30% next year or in two years. So this means that it's still a completely dollarized bank. What to do, Radhika and Michael?

RADHIKA DESAI: Well, let me start. So I would say that the key thing that we have to understand is that the new development bank is not where we should look if we are looking at the processes of de-dollarization.

I agree that it remains within the spell of the IMF and the World Bank and so on. I think to look for de-dollarization, I think we need to look at really the China-centered institutions.

There is the Asian Infrastructure Investment Bank. There is all the Chinese, major Chinese banks are lending across, around the world internationally. And I think that's where we have to look, not necessarily at the new development bank, which is small by comparison to this.

It represents the, so, you know, these processes, you know, we are all in a certain sense, I think when we are talking about de-dollarization and these alternatives, if we talk about it in terms of BRICS, I think we're doing two things that are wrong.

Number one, we are overestimating the cooperation between them. The BRICS still includes India, for example, and Brazil and South Africa, whose commitment to a anti-dollar world is actually not as firm as you might imagine.

So, I think that this is going to be a drag. However, as you rightly pointed out, the fact that China and Russia are now in very close alliance. Recently, this was further underlined by, you know, China essentially standing by Russia in a number of different ways.

So, I would say that this is the alliance we have to look at. That is the main driver. I think the other countries, you know, particularly say, take a country like India that I know most about.

I think other countries are going to, you know, if we had, for example, a progressive government in New Delhi, I think the process will accelerate much more. You know, just as in Brazil's case, under Bolsonaro, things were kind of slow vis-a-vis the BRICS.

But now that Lula is back, you know, we will have probably an acceleration. But, you know, it's going to be a long process that economies will have to be transformed and so on. Right.

So, in that sense, I think we have to look at towards China in particular. But I think also that the other thing we have to be prepared for, because this is what Michael and I have been talking about for a long time,

which is that there are two elements to the de-dollarization process.

One is the availability of alternatives, but the other is the internal contradictions of the dollar system itself. And I think that it's quite possible that the internal contradictions of the dollar system might reach a critical point, may reach the implosion point before the rest of the world is prepared with the alternatives on the scale that they are necessary, which is why we keep harping about the internal contradictions of the dollar system.

But Michael, I know you want to come in. So go ahead.

MICHAEL HUDSON: No, you said the important point. We're having instability all over and all the countries can do is remove themselves from the instability.

And the problem is not using the dollars. It's paying the dollar debt. It's what they're paying for in dollars. These dollars are not going to be used for trade. Most dollars by the global majority are made to pay debt.

And the debt was taken on by their ruling class. Instead of taxing the ruling class, they've dismantled government. They've privatized their infrastructure.

The IMF and the World Bank and the U.S. have pushed them into a neoliberal policy of selling off their infrastructure, of doing the exact opposite of what Pepe described China and Russia doing now, building in public infrastructure and providing it at as low a cost as possible to lower the cost of living, to lower the cost of doing business and make economies more competitive.

So if you're going to have a conflict between two economic systems, you don't want to keep paying the legacy of the old economic system that led you into debt in the first place. So if you don't de-dollarize the debt, you have a problem.

If you only use dollars for trading, well, you could use that for balance of payments deficits with the United States. But what did the United States have to sell other countries? It's nothing.

The U.S. can only export arms now and grain and still food. But the global majority now is doing what Russia is doing. It's growing its own food to become independent of reliance on America's ability to turn off the spigots and weaponize trade.

The United States accuses the BRICS in Russia of potentially weaponizing trade, but only the United States has weaponized its trade. No other country has done that. It's what you call, psychotherapists call, projection.

So they need to broaden the discussion and quite explicitly say, we're talking about the use of currency, not primarily to pay for trade, but to pay debts. And most debts are the product of neocolonialism in the past.

And we're breaking from neocolonialism and its legacy. And you can treat these as odious debts. That is what will have to become the focus of these discussions.

PEPE ESCOBAR: May I have one quick question for both of you? The last one, maybe? Would it be possible for the, not only for the BRICS, but for the global majority to use a system that is called Enbridge, which is being used at the moment by the Thais and the Emirates, for instance?

It's very, very interesting. The Thais are buying oil from the Emirates. So they use a blockchain.

RADHIKA DESAI: Sorry, from whom are they buying oil? From whom are the Thais buying oil?

PEPE ESCOBAR: The Emirates. So it's very interesting. It's a blockchain mechanism. The Thais, they pay with an E-Baht. And the Emirates, they receive an E-Dirham. It's fantastic. It's a blockchain.

Do you think that this could be applied all over for transactions among the global majority as a whole? Could that be the way towards an alternative payment system on a global scale?

MICHAEL HUDSON: That's exactly what happened in the 1930s and 1940s, in the 50s. And when I first went to work at Chase Manhattan Bank for balance of payments, block currencies were still being used into the early 60s.

That's exactly how the world solved the problem after the German reparations and inter-ally debt crisis. So yes, that's the natural evolution that it'll take. Somehow people have left out of account this whole discussion.

All of these things in the economic principles were discussed in the 20s, and Keynes completely demolished the right-wing doctrine, the Von Mises doctrine that the IMF has been producing today.

So I think what's needed is to reintroduce these discussions of how the problem was resolved in the 20s and 30s. That's what my textbook on Trade, Development and Foreign Debt is all about. It's the history of this international financial discussion.

RADHIKA DESAI: But I think, Michael, you're speaking of something else, right? You referred to blocked currencies.

MICHAEL HUDSON: Yes, and these were blocked currencies. The United States accused Germany of having accordion marks, marks that could only be spent on buying German accordions. I mean, you can block them down to very great detail. And more and more countries, especially Latin America, were developing it.

And when you'd look at the IMF international financial statistics that came out every month, a big publication, you'd have the exchange rate of trade, investment, you'd have the different exchange rates all listed.

RADHIKA DESAI: I think what you're referring to is the 'bloc currency' in the sense of currencies that circulated in a regional bloc. For example, there was the sterling bloc, there would have been a mark bloc, etc., etc.

MICHAEL HUDSON: No, they could only be used to buy particular things in this country. In other words, any country could buy, America could sell its German marks to Argentina, they could buy its accordions from Germany. No, no, no. Okay, so there were currencies that were essentially earmarked for buying only certain products. That's fine.

But I think that, Pepe, your question was really about blockchain currency, and electronic currencies.

PEPE ESCOBAR: Yes.

RADHIKA DESAI: And I think that the answer to that is, I mean, it's a really interesting question. First of all, there's a lot of confusion around the terms that are used.

So when people talk about digital currencies, they assume that everybody's talking about Bitcoin and such things. Bitcoin is not a currency, Bitcoin is an asset. So we were going to leave that aside, right?

Now, however, it is also true that many central banks are talking about introducing e-currencies. And there's all this discussion around central bank digital currencies.

And that is, of course, being opposed by the private sector, particularly in the United States, but elsewhere as well, by private banking and financial interest. Because, of course, the moment you have a central bank digital currency, you will eliminate the need for private banking.

Because essentially, everybody will have an account with the central bank, and the central bank can centralize lending and repayments and all these sorts of things. So there is a huge private sector.

And of course, all of this is being couched in terms of, how, my goodness, you're going to let the state have access to all your information, etc. But of course, at the moment, private corporations have access to all our information and nobody says.

So but to come back to the repayment systems, international payment systems and the use of e-currencies, I would say that from my understanding, this will make it easier. So, you know, if the Thais and the Emirates want to trade with one another, of course, the payment is a lot easier if you use these digital currencies and so on.

And to some extent, yeah, so you can do that. And you can also decentralize the use of the incoming resources and all these sorts of things.

However, this will not solve the problem that Michael was referring to earlier when he said that, you know, Russia is sitting on piles of rupees that it doesn't know what to do with.

So the solution to that problem really is that, you know, in the process of de-dollarization, in the process of essentially moving away from the junk economics of the Western world, what all countries are going to have to do is really to focus on developing their economy, including, if necessary, by essentially socializing them, introducing higher and higher elements of socialism in it and essentially controlling the prerogatives of private capital.

So because if this is not done, then you will not solve the problem of imbalances. The imbalances ultimately occur because, you know, countries don't have enough to, you know, competitive exports.

So how are you going to acquire competitive exports? How can India do that? Only by essentially pursuing development in the only way that is successful, namely state-directed development in which private capital is subordinated to the needs of the economy as a whole, etc., etc.

And I think that all of that is going to take a bit of time. It's not going to happen overnight. And every so often, you know, like Argentina has elected a government just after being admitted into the BRICS.

Argentina has elected the government that promises to dollarize its economy. So these hiccups will happen. But I would say that the broader push of history is away from the West and away from capitalism and towards the forms of economic forms we're talking about.

I think maybe we should just have one last round of final remarks because we're nearly up to an hour.

So maybe, Pepe, we'll start with you.

PEPE ESCOBAR: Wow. Well, my head is still in Vladivostok and the Far East. And next month I'll be back in Asia. So I'm doing a loop at the moment, which is quite instructive. It's Russia, the Far East, and then next month I'll be in Southeast Asia and hopefully China as well, and finishing Hong Kong, where I used to live.

And after these three months, you have a pretty good idea of how this part of the planet is moving and interacting.

And especially, don't forget, next month is the Belt and Road Summit in Beijing. So this means they're going to launch Belt and Road 2.0. They're going to probably announce some projects and announce that some important projects are going to be finished soon, which is something that the West doesn't understand.

The Belt and Road is an open work of art or trade or connectivity. This is something inadmissible for Western thinking, binary Western thinking. It's open. It's subject to improvements, a la Deng Xiaoping, you know, crossing the river while feeling the stones.

You can change a project or you can improve a project or you can even drop a project or you can bring more local workers instead of more Chinese workers. And the Chinese are learning to do this.

Since the Belt and Road was announced 10 years ago, first in Astana and then in Jakarta, they are refining the process. And I'm very, very worried personally about the China-Pakistan economic corridor after what happened after the coup against Imran Khan, after the fact that the IMF is running the country again, and considering the fact that this dynasty in power is one of the worst in the history of the whole of Southeast Asia.

In fact, these people, they are gangsters, the absolute gangsters and comprador elites, a classic comprador elites. But maybe next month we will know what the Chinese are telling these people in power at the moment in terms of safeguarding what they promised in terms of joining the China-Pakistan economic corridor.

The fact that China wants to expand the corridor to Afghanistan as well, this has already started and this depends on good relations between Pakistan and Afghanistan.

The fact that China is building railways in the northern neighbors of Pakistan and some of these railways involve Pakistan, like the railway from Pakistan to Uzbekistan, very, very important.

So the Pakistani government, whatever that is, even run by gangsters, they have to honor all these commitments. And especially from the point of view of the liaison between Xinjiang in Western China and Gwadar in the Arabian Sea, this for China is a matter of national security.

So this will imply that the Karakoram Highway will continue to be upgraded, just like they upgraded the northern part. They will upgrade the southern part as well, all the way to Islamabad.

And of course, like what Michael referred in the beginning, building that famous pipeline from Xinjiang to Gwadar port in the Arabian Ocean. So for the Chinese, this is absolutely essential.

They will do it even if it takes 10 years. They have the technology to do it, they have the time to do it, they have the financing, but they need a stable government, which is something that you can never ask for in Pakistan. Unfortunately.

I love Pakistan. I worked in Pakistan on and off for many years. I have an emotional attachment to the country, but we all know it's a basket case. It's an ungovernable entity, right?

And with all the clashes of the many nationalities inside, the fact that the Baluchis, if they're not respected, they will continue to harass Chinese engineers and Chinese envoys in Baluchistan and all that. And there's nothing that Islamabad can do about it.

So this is something that next month maybe we can have a much better idea of how the Chinese are going to manage their absolutely intractable ally, especially considering that the usual suspects are absolutely dying to cut off the China-Pakistan economic corridor, which is the flagship project of Belt and Road.

MICHAEL HUDSON: Well, I think you've pointed to Pakistan correctly as the line of the future. Fifty years ago, I sat in on Defense Department meetings saying that Balochistan was going to be where they break up the whole India opposition.

This was the – Herman Kahn had a whole presentation on Balochistan is the area that is the most prone to be broken up.

Regarding the big points that we've made, the problem is really going to be the Belt and Road is going to – somebody's going to have to pay for it, and it's going to be mainly China.

What are the recipient countries? How are they going to handle the economic liability for it? If they're going to – their governments are going to own it, they will have to be running up a debt in one way or another to China.

Otherwise, China will say, well, we'll build the roads, but then we're going to get – we're going to be repaid by the tariffs on the traffic along the road. All of this – the idea of the Belt and Road is to raise the prosperity of the regions that it goes through.

That's what railroads do. They raise the value of property all along the railroad line. They raise the value of the countries that the railroads and the transportation go through.

So the countries that are the recipients of the Belt and Road will get richer. The problem is how do you bridge the liability that they take today, what they owe for this investment, and how they will repay in the long-term future?

Maybe it will be an equity-debt relationship. Maybe it will be an option for them to then, once they get rich enough, to repay China on some terms. Will this entail interest rates? How will the interest – BRICS debts differ from the kind of debts that the United States imposed on third-world countries in the past?

How do they avoid the kind of neoliberal debt imperialism that the West has done and use that to actually finance positive capital formation, positive direct investment without impoverishing countries, and especially without impoverishing labor and turning it into the class war that the IMF and the World Bank and the U.S. economic philosophy and all of the Nobel Prizes that say, this is how you get rich, impoverish labor and squeeze more out.

How do you get an alternative to what the Western countries call economics?

RADHIKA DESAI: Those are absolutely really big questions, and probably, Michael, we should have a program on that.

MICHAEL HUDSON: All of our programs are on that.

RADHIKA DESAI: No, seriously, on the specific question of debt and debt to third-world countries, I think this is really quite an interesting point. We should definitely have that, and maybe Pepe will have you back when you've gone and you've done your loop.

But let me just end by saying that we began by talking about summits, and the UN summit is ongoing. And a lot of the commentary around the current UN summit, where I think only President Biden out of the permanent five members is actually attending the UN General Assembly meeting and so on.

So in this context, people are saying, has the United Nations become irrelevant? Is it that all these other institutions are being created, the BRICS and G20 and so on? Maybe they are more relevant.

And I guess the way to answer that question is that the United Nations itself was a product of a very critical moment in the history of imperialism. But imperialism had just suffered a huge crisis, two world wars, the Great Depression, impending decolonization.

And very importantly, the crisis was only resolved thanks to the critical aid of the Soviet Union and Chinese forces. So in that sense, I think it was formed on the principles of equal sovereignty, non-interference, non-aggression, all of these.

And of course, since that time, the United States has wished to essentially backtrack on this. It has done a great deal to undermine the United Nations.

The rest of the world have been asking for a reform of the United Nations in a variety of ways and the various institutions, the World Bank, the IMF and so on. But it is the refusal of the United States that is rendering these institutions irrelevant, if anything.

And unfortunately, other countries will have to build some kind of alternatives. So as long as the US and US-led drive to continue the zombie life of imperialism continues, this will remain the case.

We hope, of course, that this will not be for very long. And hopefully, the forces that we are talking about, the forces of China, the BRICS and the rest of the world, the world majority will soon prevail.

So maybe on that note, we can draw our discussion to a close. So thanks very much again for joining us, Pepe. We'll have you back soon. And Michael and I will see you all in a couple of weeks. Definitely.

PEPE ESCOBAR: Fantastic. Thank you.

RADHIKA DESAI: Thank you. Bye.

RADHIKA DESAI: Hello and welcome to the 17th Geopolitical Economy Hour, the show that examines the fast-changing political and geopolitical economy of our times. I'm Radhika Desai.

MICHAEL HUDSON: And I'm Michael Hudson.

RADHIKA DESAI: And today we are joined once again by the incomparable Pepe Escobar. Welcome back, Pepe.

PEPE ESCOBAR: Hi, everybody. Great pleasure to be with you both.

RADHIKA DESAI: Great. So Pepe and Michael and I are going to discuss the apparently unending series of summits and read their tea leaves to see what they tell us about how the world is changing.

And that summitry has been pretty exhausting. There was the fateful NATO summit in July, where much to his chagrin, President Zelensky failed to get even a timetable to get into NATO after having prostrated his country before NATO and having long ago so faithfully let NATO into Ukraine.

And then there was the BRICS summit in Johannesburg in August, where the organization defied pessimistic predictions and admitted six new members. This was followed by the G20 in Delhi, hosted by Prime Minister Narendra Modi.

President Putin attended the BRICS meeting virtually, but both he and President Xi, who had attended the BRICS meeting personally, did not go to the G20. They left their foreign minister and prime minister to do so.

However, then President Putin hosted the vitally important meeting of the Eastern Economic Forum that has been held annually since 2015 to showcase Russia's own pivot to Asia, which was, of course, a friendly one, unlike Obama's pivot to Asia, whose purpose was to, of course, escalate tensions with China.

At that summit, which barely rated any coverage in the Western media, President Putin not only underlined the absolute priority of Russia's own Far East and its development, but also Russia's relation with other Far Eastern economies, which are increasingly, of course, the dynamic center of the world economy, as we have been talking over so many shows.

And President Putin also announced that Russia was planning to follow its already spectacular development of hypersonic weapons, which had already caused a Sputnik moment in Washington, D.C., with new weapons, apparently, we are told, based on hitherto unused physical principles, using laser technology, ultrasonic technology, radio frequency, and whatnot.

So this will apparently also, according to President Putin, yield new principles of action in war.

After this eventful Eastern Economic Forum came the G77 plus China meeting in Havana, where China has restated its commitment to the development of the majority of humankind as the principle that should govern international relations.

And of course, now, at the moment, the world is watching as the United Nations has its regular annual meeting in New York, where thanks to his waning popularity, both at home as well as abroad, President Biden seems to be wanting to propose democratic reforms for the United Nations, including the expansion of the United Nations Security Council.

Now, the reason these summits have been so hectic and have felt like such a whirlwind of events is simply because each of them has been marking time with the accelerated tempo of change on the international plane, that is to say, the rapid shifts in the world order. And these are the changes that we want to examine in this conversation today.

So Pepe, I thought maybe it would be really great if you started this off because you were at the Eastern Economic Forum and that's one of the least talked about of these summits. So why don't you start us off by telling us what your takeaway was from that?

PEPE ESCOBAR: To be frank, Radhika and Michael, I should not be here now. I should be in Kamchatka Peninsula, you know, or the Sakhalin Islands.

When I was at the airport flying back to Moscow, I was desperate because I was looking at my options and I said, oh, my God, everything is there. Blagoveshchensk, which is the border of Russia and China in the Amur, the Altai Mountains, the Kamchatka Peninsula, the Sakhalin Islands, Buryatia.

And I said, oh, my God, I have to fly back seven time zones to go back to Moscow and work. OK, I want to drop everything and stay here, especially because one of the days of the summit, I spent the whole afternoon going to all the stands of the different provinces and talking to the representatives over there.

They had very, very good businessmen, startups, official representatives. So you can go to the Buryatia stand and in one hour you will know everything about Buryatia and you have an invitation to go to Buryatia to see the development of the province.

When I visited the Tatarstan stand, they gave me an official investor's guide in Tatarstan, which I'm going to start distributing to everybody, including you guys. You know why? Because the summit of the BRICS next year is going to be in Kazan, which is in Tatarstan.

So when you see all that live in front of you and you talk to the people from the provinces and you see how it's this public-private partnership in terms of sustainable development, you know, these gigantic islands, you know, three million square kilometers or so, then it starts dawning on you that, well, this is Asia-Pacific on the move, really.

And the even more outstanding factor is that, for instance, for Japanese, for Koreans, for other Asians, when they arrive in Vladivostok, they say, ah, this is the European capital of Asia. In their minds, Vladivostok is Europe.

But the minute I arrived in Vladivostok, I said, no, I am in Asia. Well, I lived in Asia since the 90s, the mid-90s. So for me, Vladivostok was like if I was in a Chinese city or somewhere in Southeast Asia, of course, a slightly different climate.

You see Koreans, Japanese, the locals over there, and you feel that you are in Asia. And the first restaurant where I had breakfast was the Singapura restaurant. And I thought I was in Singapore eating Singaporean food. You know, but it's fascinating to see the contrast.

And of course, to see in practice what Putin said in the beginning and at the end of his address to the plenary session of the Eastern Economic Summit. The Far East is going to be the strategic priority of Russia until the end of the century. So this means this is extremely serious.

This pivot to the East, in fact, started in 2012. Before 2012, Vladivostok was a little bit left, you know, was a backwater, in fact. Then what did they do? They built those outstanding suspension bridges.

So now the circulation, different areas of Vladivostok is much easier. The city started to expand. They built an absolutely outstanding federal university. We had the summit at the campus of the university.

I was comparing it to universities in Europe, and it's a joke. If you compare to anything in France, in Germany, in the UK, or in Italy, compared to this federal university, the dormitories, you know, the green expenses in front of a bay, you know, departments, hyper well-staffed, lots of funds. And it's literally seven time zones east of Moscow.

So you are really deep into Asia, in Russian Asia, in Asia-Pacific. And if anybody mentions the term called Indo-Pacific, nobody will know what it means, because it means absolutely nothing. These are the people who actually live in Asia-Pacific.

And in terms of all the provinces in the east, east of the Urals, southern Siberia, and the far, far east, like, for instance, the Kamchatka Peninsula or Buryatia, which is closer to Europe, it's amazing that the pace of development and the pace of innovation is outstanding.

I was talking, for instance, with Chinese scholars. There was a huge Chinese delegation and some excellent scholars, like Wang Wen from Renmin University in China. And for them, it's a completely different Chinese perspective in terms of, this is great, this is fantastic, but they need infrastructure badly.

Wang Wen said that at least 10 times in his different panels. And it's true.

And then I was checking with the locals. They said, ah, he's absolutely right. Do you know that between Vladivostok here and Khabarovsk, which is the second most important city in the far east, there's not a highway?

And, you know, the road absolutely sucks. And this is something that Chinese can build in six months, easy.

On the other hand, we have already an expanding Vladivostok Airport. You know, they're going to build airports in all these other areas as well. There are even a small airport in the Kamchatka Peninsula, literally under the volcano, reminding us of Malcolm Lowry.

And you can see how all these development projects are in sync. And of course, the Chinese, when they look all around, they said, yes, we're going to invest here big, big time.

In fact, Putin's address, which was very detailed in numbers, especially in numbers and in terms of actual investment, the Chinese were looking around and said, OK, now we're going to come in full force.

And when I was talking to Wang Wenda, among others, he said, yes, from now on, expect an avalanche of Chinese investment in the whole far east. And then right in the middle of all this frantic action, we got the train kept a rolling episode of our friend, Kim Jong-un.

And the day that we knew that the train had left Pyongyang and it was actually crossing the border. Many of you maybe don't know that the border between Russia and North Korea is only 140 kilometers away from Vladivostok.

So it's literally around the corner. So everybody at the front literally stopped and said, wow, Kim Jong-un is coming here.

No, in fact, a little more drama. He went to another city and then he went to other parts of Primorsky Krai and he came back to Vladivostok and he visited the federal university when we had all left. So obviously there was a security element to all that, right?

But the fact, the timing of Kim Jong-un arriving at Primorsky Krai, this whole region and Putin also in his speech saying that, yes, the relations in North Korea are very, very important. And basically hinting that the geoeconomic integration of North Korea to the larger, greater Eurasia partnership now is on.

And in terms of timing and in terms of a mega announcement, it couldn't go bigger than that. Because on one side, we have that absolutely ridiculous summit with Biden and his South Korean and Japanese vassals.

And on the other side, we have a de facto geoeconomic, geopolitical and military, I wouldn't say alliance, but let's say *entente cordiale* as the French would detail between China, Russia and the DPRK.

And in one of the columns that I wrote about it, in fact, the second one that I wrote for Sputnik was published by Sputnik early this week. I tell the backstory of how Putin ended up seducing Kim Jong-un.

Because I don't know if many of you remember, immediately the first two years of Xi Jinping, there was an enormous animosity between Kim Jong-un and Xi Jinping. And the Chinese didn't know how to control their ally. Let's put it this way.

Guess who was the middleman? And guess who ended up having this diplomatic coup, which is strategic coup as well, that lasted, I would say, practically 10 years or so?

Putin, once again. And it took him 10 years to get Kim's trust, to bring Kim closer to Xi, and to bring this triad to become a geoeconomic and geopolitical reality.

So imagine all that happening seven time zones east of Moscow. And you can imagine how the Western media treated it, all that. It didn't exist.

To start with, Michael and Radhika, there were no Westerners at this forum. I was probably one of the very, very, very few. And my French friends, one of them hosts a show on RT, he told me, look, I found four French people here. And that's it.

And nobody else, no Germans, no Americans, no Canadians, nobody. No Westerners at all. And it's one of the most important gatherings of this millennium, I would say. Setting the tone for this strategic pivoting by Russia to the Far East, and this geoeconomic and geopolitical union with North Korea.

So this is the very, very short story of what happened in Vladivostok, guys.

RADHIKA DESAI: Oh, that is absolutely fascinating. And I just wanted to say, you know, you said that in the Western press, the summit between President Putin and Kim Jong-un was largely ignored. But I noted that at least one story referred to the Russia's alliances on the one hand with countries like Iran, and on the other hand with countries like North Korea as an alliance of essentially dictators.

PEPE ESCOBAR: Dictators.

RADHIKA DESAI: Exactly. So, you know, there's always a way of portraying this in a negative light, you know.

But by the way, I completely agree with you. Not only are you seeing that, of course, I mean, East Asia has been essentially a far more dynamic hub of the world economy for a long time. And of course, today, in many ways, it represents a far more weighty part of the world economy.

Because if you just take GDP figures, in any case, it is catching up to Western countries. But if you factor in the fact that, you know, much of the GDP that is generated in the Western countries is actually not manufacturing or production of any sort. It's merely the smoke and mirrors of financial GDP.

Actually, this is the dynamic center of the world's productive economy. DPRK is a central part of this productive economy.

It's astonishing, you know, when you look at pictures of where Korea was when the after, you know, at the end of the war, with hardly a building standing. I mean, it is said that American pilots towards the end of the war were complaining that they had nothing left to bomb because they had already been given orders that buildings above, you know, I don't know, a couple of dozen feet of height should be bombed.

PEPE ESCOBAR: Pyongyang was completely destroyed.

RADHIKA DESAI: It was destroyed. And now you see the ability of the Koreans to produce what they are producing to more or less run the economy in the way that and defend themselves. I think it's really amazing.

And I think that Putin, if it is indeed, as you say, President Putin, who has made, you know, brought North Korea sort of back into the full membership of this very productively dynamic part of the world. I have to say that the United States attempts to try to, you know, create essentially to perpetuate the vassalage of Japan and South Korea is probably not going to work very well.

The fact of the matter is that already we know that Japan throughout this Korean conflict has continued to maintain energy cooperation with Russia. And we know also that South Korea, although it may not have as much investment with Russia, South Korea will be extremely inconvenienced if tensions with China rise, which they will rise because President Biden has nowhere else to take it.

So, you know, for all these reasons, I think your observations are spot on. And I wish I could have been there as well, because I have no doubt that it's.

And of course, the other part of the Eastern Economic Forum is that it's also about developing the east of Russia. So in a certain sense, actually, you know, this is kind of like Russia's own version of a BRI, because the Belt and Road Initiative for China is about developing, of course, infrastructure and so on in the world as a whole.

But it is also about developing China's less developed west. And this is about Russia developing its less developed east.

PEPE ESCOBAR: Just one thing. If you allow me two minutes, Radhika and Michael. Very, very important. There were extremely important delegations from all over Asia at the forum.

For instance, there was Laos, Vietnam, the Philippines and Myanmar. They had very, very important delegations and they were intervening some of the major panels as well. Indians, very important Indian delegation. Chinese, obviously.

So major players from Southeast Asia were there. And this points to another diplomatic success by the Russians, which is they're getting relationship between the Eurasian Economic Union and ASEAN closer and closer.

So soon we're going to have even more free trade agreements between the EAEU and ASEAN. They already have with Vietnam, for instance. They have with Myanmar. Soon they may have, next year, they could have it with Indonesia. There were Indonesians in Vladivostok as well. So this was very, very important.

And to see the Asians together with the Russians discussing economic integration, this is something almost cannot even be commented in the West because they don't even know what it means.

RADHIKA DESAI: Absolutely. And in fact, that reminds me of something else, which is that, you know, back in the spring, I was at a conference at the Higher Economics School, which was originally Moscow's most neoliberal university.

PEPE ESCOBAR: Higher School of Economics. They are fantastic.

RADHIKA DESAI: Oh, yes. And HSE. And the fact of the matter is that at this conference, prominent Russian intellectuals like Dmitry Trenin, who had been the head of the Carnegie Endowment in Moscow, Sergei Karaganov, who is one of the founders of the Valdai Club.

These were the people who were saying that, you know, the days when Russia looked to ally with the West are over. Russia will never return. They are over. Russia will never return to those days. And then towards

the end, Karaganov even said, whoever in any case, whoever wants to ally with the West, it's boring. The real excitement is in Asia.

So in that sense, I think that, you know, absolutely. I think that this is and this new world majority that is forming, the Russians have decided to call the grouping that they are part of, which is basically everybody other than the West and perhaps and Japan. This grouping, you know, the West, Japan, Singapore, South Korea, etc.

This grouping they call the world majority. And certainly one of the things we've been seeing in all these summits is the onward march of the world majority. And the second thing is that, you know, I said earlier that the United States is going to find it very difficult to keep this group, its own alliances together.

It's been trying to woo India away from this alliance on the grounds that India is a democracy. But with the recent developments where Canada has accused India of essentially assassinating a Canadian citizen on Canadian soil, I think that this pretends that this is an alliance of democracies is not going to, you know, stand up to much scrutiny.

PEPE ESCOBAR: Stand up, yeah.

RADHIKA DESAI: So, so, so, yeah, Michael, did you want to add anything?

MICHAEL HUDSON: Well, my thought is really on how Europe's economies are falling apart, not on and you're talking about how the rest of the world is building up.

So obviously, the implication is that Europe is being left out. And Annalena Baerbock, I guess, Baerbock said just last week, if you trade with Russia, it's dependency.

If you trade on their oil, if you trade with America, it's not dependency. That's freedom. And we have to avoid trade, not trade with the people who, as Pepe said, autocrats, everybody who's not trying to overthrow and interrupt with this prospect is called an autocrat.

Because what that means is that the public sector is taking a major role in all of this infrastructure. It's not, it's not being privatized in this road that Pepe mentioned from Vladivostok.

If they build it, it's not going to be a toll road, probably not like New Jersey.

PEPE ESCOBAR: Not a toll road, exactly.

MICHAEL HUDSON: That'll be financed by American capital that will all be, be paid very rapidly.

So we're dealing really not only with a geographic split, but with a split of economic structures, a mixed public-private economy, not like the Western public-private partnership, which you socialize the losses and privatize the profits, but something where the aim is really not to make a profit, but to make the overall economy grow.

That's the basic principle in all this. And the only thing I can say now that you're talking about how the West has ignored what you're doing, there's a reciprocal ignorance there.

By the East, yesterday, the United Nations opened, and actually I watched the 6:30 News, and the 6:30 News had a split screen. On the one hand, there was Ukraine's President, Zelenskyy, giving a speech, and on the other was a stock footage of the General Assembly, everybody there, everybody in their seats, and it was the boring speech.

But then when it was off, I thought, well, that's only two minutes. Let me look at the internet and see what happened. And they actually had a picture of the General Assembly while Zelenskyy was speaking, and it was almost entirely empty.

The global majority had walked out, except I think there was an African delegation who were talking among themselves and laughing while Zelenskyy was speaking.

So you have really two different worlds, and they don't seem to be mixing, except for the extent that the United States can try to come in and slow down the whole process and try to prevent the clock from moving.

RADHIKA DESAI: Well, absolutely. I mean, one of the things that we are going to see is already you are beginning to see protests in Europe emerging against the kind of economic devastation that the war is causing.

Poland is now threatening to stop backing Ukraine. So at the European level, the sort of unity that the United States keeps trumpeting is going to break down.

But the funny thing is that I think we are going to watch kind of really an odd sort of unfolding, because it's more and more become clear to me that President Biden, since he's running for re-election, and God only knows why he's running for re-election, because this seems to be increasingly unlikely that he will win, but nevertheless, since he's running for re-election, the last thing he wants in the world is for him to have to declare that he was defeated in Ukraine.

So that is why they will keep funding the war in Ukraine. They'll keep saying, you know, we stand by Ukraine, et cetera, for domestic political reasons, even though essentially, as far as I can tell, the West has lost in Ukraine, but they'll keep up the pretense that they might yet win until after the election, which means that for the next year and a bit, this is what we are going to see, you know, coming from the United States.

But that is precisely the time period in which both the elites and the ordinary people of Europe may begin to say, OK, the cost is too great. You know, we've got to stop this war and so on.

MICHAEL HUDSON: Yeah, I do want to say something about Europe then. You can see what the effect of the war is on the sanctions against Germany.

What was happening before the war, before 2022, was Germany was supporting the euro's exchange rate, and it was German industrial exports. And what it was doing, it was producing these industrial goods by importing gas and energy from Europe, and it was paying for them by exporting automobiles and industrial products.

So Germany and the EU balance of payments with Russia was essentially they weren't running a deficit. They was all in balance. And the euro was stabilized because there wasn't outward pressure.

But now that the sanctions have become what you call the Ukraine war is really the U.S.-NATO war, the U.S. war against NATO to absorb it into the U.S. economy.

So look at what's happening now. Not only is Europe being told to increase, to replenish all of the arms that have been destroyed, and that's about 2 percent of GDP, Europe will now have to spend about 3 percent of its GDP on replenishing the arms, not from Russia or China, but from the United States.

That means not only will the budget deficit not permit any more domestic spending to help pull Europe out of the depression, but it's going to be a balance of payments outflow to the United States while Europe and especially Germany buy U.S. gas and other, as well as arms from the United States.

Well, what this means is that there's no reciprocity there. The United States is not going to do what Russia did and turn around and buy German and other European industrial exports because the United States is protectionist.

So it's going to be a one-way payment instead of a balanced trade from the euro to the United States. And I did an interview with a German press yesterday, and the belief now is that the euro is going to go down right through the dollar to 90 cents, maybe 85 cents in the next few years.

Now, imagine what this is going to do. The euro's balance of payments deficit is going to raise prices because prices are set internationally for all raw materials, for imports. It's going to make the cost of living higher.

Well, the government, Baerbock said she doesn't care what the voters say. She has to make the world safe for democracy, which means autocracy and the old pre-Orwellian, double speak.

And this means there's already large scale unemployment there. Germany is going to end up looking like Latvia and Estonia.

Where are the German workers going to move? They can't move to the United States because that would be competing with American labor. And the United States has set up its barriers.

Is it going to move to Russia, China, Kazakhstan? Who knows what it's going to do? But the United States has lost Europe. And as you say, Asia has turned its back on Europe.

Europe has nothing to offer except subservience to the United States. So you can just see that this whole part of the world that was the center has now fallen off. Fallen off the edge.

It's the contrast of your perfect diagnostic, Michael. You explained the European malaise in five minutes.

And when you compare to what they are discussing in China, in Asia, in Southeast Asia and in Vladivostok for that matter, for instance, there were panels in Vladivostok about relationship between BRICS and the Eurasian Economic Union. There's a more or less a consensus that sooner or later they have to get sit at the same table and start discussing among others a new payment settlement system.

In one of the panels that I had the honor to be part of, there were only heavyweights, in fact, including one of the best Russian economists, Andrei Klepash. He works for VAB Bank. There was people from the Duma as well.

Sergei Glazyev intervened online. His deputy, his number two, Dmitry Mityaev was also part of the panel. And of course, Klepash came up with a very wonderful definition. He says that a currency by definition has to be liquid and stable like vodka.

So at the moment, we're not there yet in terms of the new Eurasia currency, which is being debated, especially here. It's one of the key debates everywhere. But I have a question for both of you, because this question came up in Vladivostok.

And it's a little bit of a rage here as well, which involves the Bank of International Settlements and the IMF. Nothing can be done by the BRICS as long as the IMF continues to dictate, as Michael explains very well all over the world, the terms of their collaboration with the Global South.

Considering the fact that all the central banks of the BRICS countries are part of the Bank of International Settlements. I know that you can explain this in one or two minutes, and I'm sure the audience will be very, very interested.

And also an extra problem. The fact that the new development bank, the BRICS Bank, basically, essentially, as Glazyev has been saying all the time, it's still dollarized. And how are they going to escape from the fact that they are dollarized?

This is something that if I have the chance, a question that I'd like to pose in China next month. But for the moment, the discussion here is raging about all this.

MICHAEL HUDSON: There's a real problem. And last time we talked, I said, well, before there's a formal currency which needs governments all to get together, they're going to have to hold each other's currency for a while with currency swaps.

But the Financial Times just had a very interesting article yesterday about Russian sales of oil to India. Russia's been selling its oil to Europe by way of India. And the Europeans pretend that this is not sanctioned oil because it's Indian oil from, as we all know, India's vast oil well reserves.

It turns out that India pays Russia in its own currency that is unconvertible; their blocked currency. Just like the German blocked marks of the 1920s. The Indian rupees that have paid Russia can only be spent on imports from India.

And this is not a free market in currency. This is not stable. What on earth is Russia going to do with this huge mass of rupees that can only be spend on Indian exports.

This is something that cannot last a long time. And the United States, recently in visiting India, has jumped on this and said, look, this is all going to end. You'd better throw in your lot with us and block the Belt and Road.

Remember, you're fighting China up near Tibet in the Himalayas. You really have to join NATO, basically. And so that is the subterranean, that's the pressure.

And the United States, having mounted a coup in Pakistan last year, is saying the same thing to Pakistan. Don't let the Chinese pipeline go through Pakistan. What you want is for the oil to be from a port to a ship to a railroad to a port to a ship back to another railroad.

I mean, this crazy line that the United States has tried to get as an alternative to the Belt and Road. This is the issue that the United States is trying to do, to interrupt this whole continuity.

And that's going to be the political fight that I think unfolds during the next 12 months.

RADHIKA DESAI: You know, that's really an interesting point, and I want to come back to that. But first, let me just answer Pepe's original question, because you see, Pepe, the two institutions that you mentioned are quite different, right?

So the Bank of International Settlements is essentially like an international club of central banks, which is fine. I mean, you know, it cannot impose anything.

The IMF, on the other hand, can only impose its writ to the extent that countries borrow from it. And it's really interesting to look at history from this point of view.

You know, there were throughout the 1980s and 1990s, there were numerous complaints about the way in which the IMF treats third world countries, developing countries. And in those days, there was a debt crisis pervaded the third world. So you got to see that.

And of course, these complaints were mounting. But then when people saw the manner in which the IMF intervened in South Korea after the 1997-1998 East Asian financial crisis.

PEPE ESCOBAR: I was there, I saw it firsthand. Exactly.

RADHIKA DESAI: So please add to this. But let me just say when people saw the way in which the IMF intervened in Korea, treating it as though it was just another third world country, essentially creating an opportunity for American corporations to buy Korean firms at knockdown prices and such like things, people really realized how bad it is.

And in fact, since that time, the IMF portfolio began to shrink. They had fewer and fewer people, countries were borrowing from it. And the other thing as well is that once the United States at that time started, its low interest rate policy in order to try to keep the housing bubble going and so on, this low interest rate policy sent a lot of capital searching for returns abroad so that private lending to third world countries increased.

So, you know, people were not, you know, countries were not borrowing. So the IMF had almost become irrelevant until then the 2008 crisis happened and then it got more borrowers.

But to this day, the IMF is not really very popular among third world governments.

So I would say that in order to escape from the clutches of the IMF, the important thing is for countries to create alternative sources of finance. China is taking a lead in this.

But I would say that we are still at that liminal phase where this is not sufficient to replace the IMF. But I think that BRICS countries should probably be thinking hard about, on the one hand, decreasing the need to borrow, particularly the need to borrow in dollars.

And then secondly, to the extent possible, to increase the available capital for lending in other currencies.

MICHAEL HUDSON: The IMF is basically a war lender in two senses. Its biggest client recently was Ukraine, of course, but now Pakistan, too.

Pakistan made a deal with the United States last month. The IMF promised to give it a loan to buy American arms. So the IMF has now become the major funder of countries purchasing American arms.

It's a branch of the American military-industrial complex.

And of course, the other war is class war of the 1% of the dictators in Argentina and other countries against the 99% in their country.

And the IMF has supported capital flight from these countries. Now, the problem that the BRICS have is not simply avoiding the IMF.

How on earth can they afford to make their public investment in infrastructure and roads and the things we've been talking about if they have to pay the existing backlog of foreign dollarized debt that has been run up under IMF sponsorship, saying this is all how the economy works?

It's not how the economy works. The IMF has sponsored junk economics and the identical balance of payment theory that bankrupted Germany and Europe in the 1920s. The idea that you can pay any amount of foreign debt if you just pay your labor less.

And the idea of the BRICS countries is to raise living standards. For one thing, if you raise living standards, labor is more productive. If you pay for their education, you feed them well, you keep them in good health, they're going to be more productive.

The opposite of what the IMF says. So if you're going to have a philosophy that's the opposite of the old neocolonialist financial imperialism, you have to make the BRICS break from the West, not only trading among yourselves. but saying, we're going to have a moratorium on foreign debt.

The moratorium may last forever, just like in 1931, the Bank for International Settlements organized a moratorium on German reparations and inter-ally debt because they said, if these debts are paid, you will have chronic depression throughout Europe and the United States. So the debts couldn't be paid. You need a new 1931 today.

And the BRICS countries, BRICS Plus, can say, we were given bad advice and we weren't in control because the leaders of our countries who signed these promissory notes were installed by US interference and meddling in our economy.

And just as Central Africa is freeing itself from the legacy of French colonialism and taking its own natural resources under its control, we're taking our resources under our control.

Forget the debts. You can bring it up all you want in future decades, but we're not going to pay for now because we can't pay. And we're not going to sacrifice our lives and our economies for the legacy of colonialism, which would simply maintain the whole purpose of colonialism, which is control and extracting the economic surplus from the global majority.

PEPE ESCOBAR: If you allow me, one minute, very briefly for both of you. We still have an enormous practical problem, which is something that was not really discussed during the BRICS summit.

And in Vladivostok, some of the economists alluded to it, but we didn't have time to get into detail. The fact, how are we going to de-dollarize the BRICS bank, the new development bank?

This is something that Dilma Rousseff, former Brazilian president, now president of the NDB, she said that a few months ago, and she said that during the BRICS summit. Ah, our goal is to have 30% of our loans bypassing the dollar in the next few years.

But this is completely nuts. It should be like 70% or 80% now. And you're going to wait for 30% next year or in two years. So this means that it's still a completely dollarized bank. What to do, Radhika and Michael?

RADHIKA DESAI: Well, let me start. So I would say that the key thing that we have to understand is that the new development bank is not where we should look if we are looking at the processes of de-dollarization.

I agree that it remains within the spell of the IMF and the World Bank and so on. I think to look for de-dollarization, I think we need to look at really the China-centered institutions.

There is the Asian Infrastructure Investment Bank. There is all the Chinese, major Chinese banks are lending across, around the world internationally. And I think that's where we have to look, not necessarily at the new development bank, which is small by comparison to this.

It represents the, so, you know, these processes, you know, we are all in a certain sense, I think when we are talking about de-dollarization and these alternatives, if we talk about it in terms of BRICS, I think we're doing two things that are wrong.

Number one, we are overestimating the cooperation between them. The BRICS still includes India, for example, and Brazil and South Africa, whose commitment to a anti-dollar world is actually not as firm as you might imagine.

So, I think that this is going to be a drag. However, as you rightly pointed out, the fact that China and Russia are now in very close alliance. Recently, this was further underlined by, you know, China essentially standing by Russia in a number of different ways.

So, I would say that this is the alliance we have to look at. That is the main driver. I think the other countries, you know, particularly say, take a country like India that I know most about.

I think other countries are going to, you know, if we had, for example, a progressive government in New Delhi, I think the process will accelerate much more. You know, just as in Brazil's case, under Bolsonaro, things were kind of slow vis-a-vis the BRICS.

But now that Lula is back, you know, we will have probably an acceleration. But, you know, it's going to be a long process that economies will have to be transformed and so on. Right.

So, in that sense, I think we have to look at towards China in particular. But I think also that the other thing we have to be prepared for, because this is what Michael and I have been talking about for a long time, which is that there are two elements to the de-dollarization process.

One is the availability of alternatives, but the other is the internal contradictions of the dollar system itself. And I think that it's quite possible that the internal contradictions of the dollar system might reach a critical point, may reach the implosion point before the rest of the world is prepared with the alternatives on the scale that they are necessary, which is why we keep harping about the internal contradictions of the dollar system.

But Michael, I know you want to come in. So go ahead.

MICHAEL HUDSON: No, you said the important point. We're having instability all over and all the countries can do is remove themselves from the instability.

And the problem is not using the dollars. It's paying the dollar debt. It's what they're paying for in dollars. These dollars are not going to be used for trade. Most dollars by the global majority are made to pay debt.

And the debt was taken on by their ruling class. Instead of taxing the ruling class, they've dismantled government. They've privatized their infrastructure.

The IMF and the World Bank and the U.S. have pushed them into a neoliberal policy of selling off their infrastructure, of doing the exact opposite of what Pepe described China and Russia doing now, building in public infrastructure and providing it at as low a cost as possible to lower the cost of living, to lower the cost of doing business and make economies more competitive.

So if you're going to have a conflict between two economic systems, you don't want to keep paying the legacy of the old economic system that led you into debt in the first place. So if you don't de-dollarize the debt, you have a problem.

If you only use dollars for trading, well, you could use that for balance of payments deficits with the United States. But what did the United States have to sell other countries? It's nothing.

The U.S. can only export arms now and grain and still food. But the global majority now is doing what Russia is doing. It's growing its own food to become independent of reliance on America's ability to turn off the spigots and weaponize trade.

The United States accuses the BRICS in Russia of potentially weaponizing trade, but only the United States has weaponized its trade. No other country has done that. It's what you call, psychotherapists call, projection.

So they need to broaden the discussion and quite explicitly say, we're talking about the use of currency, not primarily to pay for trade, but to pay debts. And most debts are the product of neocolonialism in the past.

And we're breaking from neocolonialism and its legacy. And you can treat these as odious debts. That is what will have to become the focus of these discussions.

PEPE ESCOBAR: May I have one quick question for both of you? The last one, maybe? Would it be possible for the, not only for the BRICS, but for the global majority to use a system that is called Enbridge, which is being used at the moment by the Thais and the Emirates, for instance?

It's very, very interesting. The Thais are buying oil from the Emirates. So they use a blockchain.

RADHIKA DESAI: Sorry, from whom are they buying oil? From whom are the Thais buying oil?

PEPE ESCOBAR: The Emirates. So it's very interesting. It's a blockchain mechanism. The Thais, they pay with an E-Baht. And the Emirates, they receive an E-Dirham. It's fantastic. It's a blockchain.

Do you think that this could be applied all over for transactions among the global majority as a whole? Could that be the way towards an alternative payment system on a global scale?

MICHAEL HUDSON: That's exactly what happened in the 1930s and 1940s, in the 50s. And when I first went to work at Chase Manhattan Bank for balance of payments, block currencies were still being used into the early 60s.

That's exactly how the world solved the problem after the German reparations and inter-ally debt crisis. So yes, that's the natural evolution that it'll take. Somehow people have left out of account this whole discussion.

All of these things in the economic principles were discussed in the 20s, and Keynes completely demolished the right-wing doctrine, the Von Mises doctrine that the IMF has been producing today.

So I think what's needed is to reintroduce these discussions of how the problem was resolved in the 20s and 30s. That's what my textbook on Trade, Development and Foreign Debt is all about. It's the history of this international financial discussion.

RADHIKA DESAI: But I think, Michael, you're speaking of something else, right? You referred to blocked currencies.

MICHAEL HUDSON: Yes, and these were blocked currencies. The United States accused Germany of having accordion marks, marks that could only be spent on buying German accordions. I mean, you can block them down to very great detail. And more and more countries, especially Latin America, were developing it.

And when you'd look at the IMF international financial statistics that came out every month, a big publication, you'd have the exchange rate of trade, investment, you'd have the different exchange rates all listed.

RADHIKA DESAI: I think what you're referring to is the 'bloc currency' in the sense of currencies that circulated in a regional bloc. For example, there was the sterling bloc, there would have been a mark bloc, etc., etc.

MICHAEL HUDSON: No, they could only be used to buy particular things in this country. In other words, any country could buy, America could sell its German marks to Argentina, they could buy its accordions from Germany. No, no, no. Okay, so there were currencies that were essentially earmarked for buying only certain products. That's fine.

But I think that, Pepe, your question was really about blockchain currency, and electronic currencies.

PEPE ESCOBAR: Yes.

RADHIKA DESAI: And I think that the answer to that is, I mean, it's a really interesting question. First of all, there's a lot of confusion around the terms that are used.

So when people talk about digital currencies, they assume that everybody's talking about Bitcoin and such things. Bitcoin is not a currency, Bitcoin is an asset. So we were going to leave that aside, right?

Now, however, it is also true that many central banks are talking about introducing e-currencies. And there's all this discussion around central bank digital currencies.

And that is, of course, being opposed by the private sector, particularly in the United States, but elsewhere as well, by private banking and financial interest. Because, of course, the moment you have a central bank digital currency, you will eliminate the need for private banking.

Because essentially, everybody will have an account with the central bank, and the central bank can centralize lending and repayments and all these sorts of things. So there is a huge private sector.

And of course, all of this is being couched in terms of, how, my goodness, you're going to let the state have access to all your information, etc. But of course, at the moment, private corporations have access to all our information and nobody says.

So but to come back to the repayment systems, international payment systems and the use of e-currencies, I would say that from my understanding, this will make it easier. So, you know, if the Thais and the Emirates want to trade with one another, of course, the payment is a lot easier if you use these digital currencies and so on.

And to some extent, yeah, so you can do that. And you can also decentralize the use of the incoming resources and all these sorts of things.

However, this will not solve the problem that Michael was referring to earlier when he said that, you know, Russia is sitting on piles of rupees that it doesn't know what to do with.

So the solution to that problem really is that, you know, in the process of de-dollarization, in the process of essentially moving away from the junk economics of the Western world, what all countries are going to have to do is really to focus on developing their economy, including, if necessary, by essentially socializing them, introducing higher and higher elements of socialism in it and essentially controlling the prerogatives of private capital.

So because if this is not done, then you will not solve the problem of imbalances. The imbalances ultimately occur because, you know, countries don't have enough to, you know, competitive exports.

So how are you going to acquire competitive exports? How can India do that? Only by essentially pursuing development in the only way that is successful, namely state-directed development in which private capital is subordinated to the needs of the economy as a whole, etc., etc.

And I think that all of that is going to take a bit of time. It's not going to happen overnight. And every so often, you know, like Argentina has elected a government just after being admitted into the BRICS.

Argentina has elected the government that promises to dollarize its economy. So these hiccups will happen. But I would say that the broader push of history is away from the West and away from capitalism and towards the forms of economic forms we're talking about.

I think maybe we should just have one last round of final remarks because we're nearly up to an hour.

So maybe, Pepe, we'll start with you.

PEPE ESCOBAR: Wow. Well, my head is still in Vladivostok and the Far East. And next month I'll be back in Asia. So I'm doing a loop at the moment, which is quite instructive. It's Russia, the Far East, and then next month I'll be in Southeast Asia and hopefully China as well, and finishing Hong Kong, where I used to live.

And after these three months, you have a pretty good idea of how this part of the planet is moving and interacting.

And especially, don't forget, next month is the Belt and Road Summit in Beijing. So this means they're going to launch Belt and Road 2.0. They're going to probably announce some projects and announce that some important projects are going to be finished soon, which is something that the West doesn't understand.

The Belt and Road is an open work of art or trade or connectivity. This is something inadmissible for Western thinking, binary Western thinking. It's open. It's subject to improvements, a la Deng Xiaoping, you know, crossing the river while feeling the stones.

You can change a project or you can improve a project or you can even drop a project or you can bring more local workers instead of more Chinese workers. And the Chinese are learning to do this.

Since the Belt and Road was announced 10 years ago, first in Astana and then in Jakarta, they are refining the process. And I'm very, very worried personally about the China-Pakistan economic corridor after what happened after the coup against Imran Khan, after the fact that the IMF is running the country again, and considering the fact that this dynasty in power is one of the worst in the history of the whole of Southeast Asia.

In fact, these people, they are gangsters, the absolute gangsters and comprador elites, a classic comprador elites. But maybe next month we will know what the Chinese are telling these people in power at the moment in terms of safeguarding what they promised in terms of joining the China-Pakistan economic corridor.

The fact that China wants to expand the corridor to Afghanistan as well, this has already started and this depends on good relations between Pakistan and Afghanistan.

The fact that China is building railways in the northern neighbors of Pakistan and some of these railways involve Pakistan, like the railway from Pakistan to Uzbekistan, very, very important.

So the Pakistani government, whatever that is, even run by gangsters, they have to honor all these commitments. And especially from the point of view of the liaison between Xinjiang in Western China and Gwadar in the Arabian Sea, this for China is a matter of national security.

So this will imply that the Karakoram Highway will continue to be upgraded, just like they upgraded the northern part. They will upgrade the southern part as well, all the way to Islamabad.

And of course, like what Michael referred in the beginning, building that famous pipeline from Xinjiang to Gwadar port in the Arabian Ocean. So for the Chinese, this is absolutely essential.

They will do it even if it takes 10 years. They have the technology to do it, they have the time to do it, they have the financing, but they need a stable government, which is something that you can never ask for in Pakistan. Unfortunately.

I love Pakistan. I worked in Pakistan on and off for many years. I have an emotional attachment to the country, but we all know it's a basket case. It's an ungovernable entity, right?

And with all the clashes of the many nationalities inside, the fact that the Baluchis, if they're not respected, they will continue to harass Chinese engineers and Chinese envoys in Baluchistan and all that. And there's nothing that Islamabad can do about it.

So this is something that next month maybe we can have a much better idea of how the Chinese are going to manage their absolutely intractable ally, especially considering that the usual suspects are absolutely dying to cut off the China-Pakistan economic corridor, which is the flagship project of Belt and Road.

MICHAEL HUDSON: Well, I think you've pointed to Pakistan correctly as the line of the future. Fifty years ago, I sat in on Defense Department meetings saying that Balochistan was going to be where they break up the whole India opposition.

This was the – Herman Kahn had a whole presentation on Balochistan is the area that is the most prone to be broken up.

Regarding the big points that we've made, the problem is really going to be the Belt and Road is going to – somebody's going to have to pay for it, and it's going to be mainly China.

What are the recipient countries? How are they going to handle the economic liability for it? If they're going to – their governments are going to own it, they will have to be running up a debt in one way or another to China.

Otherwise, China will say, well, we'll build the roads, but then we're going to get – we're going to be repaid by the tariffs on the traffic along the road. All of this – the idea of the Belt and Road is to raise the prosperity of the regions that it goes through.

That's what railroads do. They raise the value of property all along the railroad line. They raise the value of the countries that the railroads and the transportation go through.

So the countries that are the recipients of the Belt and Road will get richer. The problem is how do you bridge the liability that they take today, what they owe for this investment, and how they will repay in the long-term future?

Maybe it will be an equity-debt relationship. Maybe it will be an option for them to then, once they get rich enough, to repay China on some terms. Will this entail interest rates? How will the interest – BRICS debts differ from the kind of debts that the United States imposed on third-world countries in the past?

How do they avoid the kind of neoliberal debt imperialism that the West has done and use that to actually finance positive capital formation, positive direct investment without impoverishing countries, and especially without impoverishing labor and turning it into the class war that the IMF and the World Bank and the U.S. economic philosophy and all of the Nobel Prizes that say, this is how you get rich, impoverish labor and squeeze more out.

How do you get an alternative to what the Western countries call economics?

RADHIKA DESAI: Those are absolutely really big questions, and probably, Michael, we should have a program on that.

MICHAEL HUDSON: All of our programs are on that.

RADHIKA DESAI: No, seriously, on the specific question of debt and debt to third-world countries, I think this is really quite an interesting point. We should definitely have that, and maybe Pepe will have you back when you've gone and you've done your loop.

But let me just end by saying that we began by talking about summits, and the UN summit is ongoing. And a lot of the commentary around the current UN summit, where I think only President Biden out of the permanent five members is actually attending the UN General Assembly meeting and so on.

So in this context, people are saying, has the United Nations become irrelevant? Is it that all these other institutions are being created, the BRICS and G20 and so on? Maybe they are more relevant.

And I guess the way to answer that question is that the United Nations itself was a product of a very critical moment in the history of imperialism. But imperialism had just suffered a huge crisis, two world wars, the Great Depression, impending decolonization.

And very importantly, the crisis was only resolved thanks to the critical aid of the Soviet Union and Chinese forces. So in that sense, I think it was formed on the principles of equal sovereignty, non-interference, non-aggression, all of these.

And of course, since that time, the United States has wished to essentially backtrack on this. It has done a great deal to undermine the United Nations.

The rest of the world have been asking for a reform of the United Nations in a variety of ways and the various institutions, the World Bank, the IMF and so on. But it is the refusal of the United States that is rendering these institutions irrelevant, if anything.

And unfortunately, other countries will have to build some kind of alternatives. So as long as the US and US-led drive to continue the zombie life of imperialism continues, this will remain the case.

We hope, of course, that this will not be for very long. And hopefully, the forces that we are talking about, the forces of China, the BRICS and the rest of the world, the world majority will soon prevail.

So maybe on that note, we can draw our discussion to a close. So thanks very much again for joining us, Pepe. We'll have you back soon. And Michael and I will see you all in a couple of weeks. Definitely.

PEPE ESCOBAR: Fantastic. Thank you.

RADHIKA DESAI: Thank you. Bye.