

Global Systemic Financial Crisis 2015: Geopolitics, Oil and Currency Markets

By [Global Europe Anticipation Bulletin \(GEAB\)](#)

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For almost two years, by combining various points of view (speculative, geopolitical, technological, economic, strategic and monetary...), we have continued to anticipate a major crisis in the entire oil sector.

Today, no one doubts the fact that we are actually at that point, and the GEAB must therefore anticipate the consequences of this veritable atomic bomb, which has begun to blow up all the old system's pillars: everything which we have known, international currencies, financial markets, the US, the Western alliance, world governance, democracy, etc.

Global systemic crisis: the end of the West we have known since 1945

Here, we would like to look back on a historic GEAB anticipation, that of Franck Biancheri in February 2006, which announced the beginning of the global systemic crisis under the title "the end of the West we have known since 1945" (1). It will have taken nine years for this Western world to collapse (or seven years, if we begin the process with the 2008 subprime crisis, as one should really do)... During these nine years, the GEAB has worked to educate on the crisis, with the avowed aim of raising all the existing solutions to exit it as quickly and as painlessly as possible. Apparently, outside the work carried out by the BRICS which, also anticipated by the GEAB, got through a huge task to lay down the foundations of tomorrow's world, the Western world, meanwhile, has made some positive efforts here and there, signs of which we detect in some places. But at the end of 2014, and after the huge destabilization caused by the crash of Euro-Russian relations in the Ukrainian crisis, our team is struggling to put forward a positive scenario for the coming year.

2015 will show the complete collapse of the Western world we have known since 1945. It will be a gigantic hurricane, which will blow and rock the whole planet, but the breach points are to be found in the "Western Port", which hasn't been a port for a long time but, as will be clearly shown in 2015, has been in the eye of the storm in fact, as we have repeatedly said since 2006. Whilst some boats will try to head offshore, the Ukrainian crisis has had the effect of bringing some of them back to port and firmly re-mooring them there. Unfortunately, it's the port itself which is rocking the boats and it's those with the strongest moorings which will break up first. Of course, we are thinking of Europe first and foremost, but more so Israel, the financial markets and world governance.

Of course peace is at stake, a peace which is no more than a vain word, moreover. Ask China, India, Brazil, Iran, etc., if the West still conveys any image of peace. As for democratic values, what we show serves more as a foil than a model... to the extent that

the universal principle of democracy is relegated to the value of culturally relativized concepts and finishes by serving antidemocratic agendas of all ilks, in Europe and elsewhere. Yet it's not the democratic principle that is the problem (quite the opposite is needed to reinvent ways to apply it, in partnership with the new emerging powers), but really the West's inability to have known how to adapt its implementation to society's new characteristics (the emergence of supranational political entities, the Internet which is transforming the social structure..)

The oil crisis is systemic because it is linked to the end of the all-oil era

Let's return for a moment to the principal characteristics of this systemic oil crisis which we have analyzed. To quickly summarize and to highlight the systemic nature of this crisis, to better position our anticipations which follow, it's the oil market's world governance system [OPEC](#), which has been undermined. The US, which was its master until around 2005 (2), has seen the arrival of the emerging nations whose levels of consumption has inevitably made them joint masters.



Oil consumption: in red, by the US, Western Europe and Japan; in blue, by the rest of the world. Source : Yardeni / Oil market intelligence. Of course, it would have been necessary to acknowledge this change by a reform of the old system of governance to put everybody in the same boat. Instead, frightened by the idea of a rise in oil prices to which the US economy (totally dependent on oil, unlike Europe, and lacking any significant and coordinated investment in renewable energy) was unable to resist, the US decided to break any rationale of global coordination by creating a competing market, the shale market, intended to reduce prices. Unfortunately, we know what competition in terms of access to energy resources leads to... at least Europe is supposed to know (3).



US shale oil production – Source : HPDI, LLC Another strong trend is combining with this major trend break, currently little mentioned in the media, that of the end of oil as the world economy's primary energy source. And it is this second factor that now makes the situation totally uncontrollable. Prices are falling apart because the oil era is coming to an end and nobody can do anything about it. We anticipated this many months ago (4) : China is creating an all electric car fleet (5), and, in so doing, will turn the global car fleet into an all-electric one: once the technology has been mastered and mass production becomes inevitable, all the world will go electric. We anticipated that this transformation would be in place in less than 10 years and that, in five years, the turning point as regards consumption would be reached. But a year at least has passed since this anticipation. Speculators of all stripes are starting to see a horizon four years out (6).

In reality, « peak oil » is what LEAP calls a “successful anticipation”: putting it into perspective, has allowed the problem to be “avoided”. Fear of a shortage and a price explosion, good and bad avoidance strategies (renewable and shale), all combined with a huge economic downturn and, as a grand finale, and an ecological agenda whose resumption we will see from this year (7), and the world is “ready” to close the oil era... except that, to this, the players existentially related to this commodity will make themselves

heard loud and long before disappearing.

Here again, so that our readers don't misunderstand: for a long time oil will continue to be used to fuel the world's engines and factories (it even has many years ahead of it again since the risk of shortage has been postponed for several decades), but the "era" of sovereign oil is ending and, of course, that constitutes a systemic change.

In the Telescope section we further examine the consequences of this systemic oil crisis, particularly on the financial markets. These financial markets, which have well "resisted" six long years of crisis, suffocating the real economy in their vice and proving the extent to which they were the crux of the problem, will not be able to survive the shock that they are about to get, from the oil industry on the one hand (a central player), and the dollar on the other (financial world's main tool). But, as if it weren't enough, other bombs are ready to explode...

Notes

(1) Source : [LEAP/Europe2020](#), 15 February 2006

(2) In fact, the beginning of the rise in oil prices dates from 2003, and began to explode in 2006. But 2005 is a recurring date as soon as we analyze price increases in terms of the emerging nations' consumption instead of the vagaries of Middle Eastern geopolitics, and generally as soon as one sees the emerging nations' rise in power.

(3) The two world wars at the beginning of the 20th century were intrinsically linked to competition for access to energy resources (source: [Cambridge Journals](#), 09/1968), which is why, at the end of the Second World War, the European Communities gave birth to the pooling of resources, the ECSC (source : [Wikipedia](#)), a project which should have remained one of the lightning conductors of European construction, whilst today the Ukrainian crisis reveals the gaping hole in Europe as regards a common energy policy. And to say that some find that we suffer from too much Europe!! Actually, European construction came to a halt in 1989... busy regulating the size of cucumbers and freeing the rest: "the European cucumber"...

(4) In our recommendations last January (GEAB N°81) under the heading « China goes electric ». Source : [LEAP/E2020](#), 15/01/2014

(5) Source : [Bloomberg](#), 09/02/2014

(6) For those who doubt the reality of this development there is the recent and incredible decision by Germany (incredible because it's completely counter intuitive to the current decline in oil prices) to bet everything on renewable energy and package everything which is nuclear-gas-oil-coal to get rid of it Source : [Deutsche Welle](#), 01/12/2014

(7) Last month we noted the very tangible results achieved in promises to reduce CO2 emissions, including from the US, under Chinese leadership. And although the Lima Summit hasn't seemed to produce much in the way of results meanwhile, it's particularly because the poor countries are pretending to continue to believe that Western dollars are going to finance their energy transition. But in substance, the environmental agenda is very dynamic currently, essentially because it coincides with the strategic objectives for the first time of the world's first (or second) power, China.

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