

Internationalization of the Yuan, Crumble of the Dollar, Crisis of the European Monetary System

Internationalization of the Yuan, the opening of Saudi Arabia, the implosion of the EU, and three of the last pillars of the dollar crumble

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

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“It was night, and the rain fell; and, falling, it was rain, but, having fallen, it was blood.” These words of Edgar Allan Poe (1) apply perfectly to the slow process of global dislocation now in progress, where seemingly innocuous events – like the “rain” – combine to undermine the foundations of an international system that is dying, hence the “blood.” If the process is slow, if the events seem trivial, it is paradoxically because the crisis is the first truly global systemic crisis, one much deeper than the one in 1929, affecting all countries and overwhelming the heart of the system.

Whereas 1929 was the adolescent crisis of a new world power, the US, we now experience the last days of an incurable, and incurable that had been the world’s sole superpower since 1945. But the whole organization of the world was built around the US, and it is no one’s interests for it to collapse before a complete decoupling. So it is for everyone to safeguard the usual appearances while ensuring a smooth transition, which explains the slow crash in progress.

It’s a little like the parent who sneaks out of the nursery, hoping to avoid waking the baby and starting up the bawling again, but the baby is the dollar, and the parents are unworthy, for they are abandoning it altogether.

China is the master of this art, but we can see that all other countries are moving away from the US, in a more or less subtle fashion, like Saudi Arabia for example. (2) For the EU, one of the last Americanist bastions outside the US itself, the task is more difficult. Our team anticipates that the European elections of 2014, along with the inevitable rise of extreme right-wing and euroskeptic forces, will lead to an implosion of the current EU framework, with the possibility for Euroland to fill in the place. We analyze in detail the case of Europe in this issue.

The rapid internationalization of the Yuan, causing a decline in the central role of the dollar; the loss of Saudi support, a key part of the petrodollar edifice; and the loss of the Americanist bastion of the EU, replaced by a Euroland relying on the Euro, are all threats to the three remaining essential pillars of American power, which will disappear in 2014, precipitating considerable global upheaval.

The US is betting that the potential barrier (3) between the status quo and the world thereafter is too painful to go through, and that countries, despite all of the benefits that would accrue in the new organization of the world, will not cross that Rubicon. One example

is China, with its mountains of dollars in reserve which would not be worth much if it moves too pointedly; another is Saudi Arabia, which would lose a good customer and assured security if it let go of the US. But these are neither more nor less than cold calculations of costs and benefits, and for a number of stakeholders the benefits will exceed the costs. According to LEAP/E2020, the American wager has already been lost.

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This public announcement contains excerpts from sections 1, 2 and 8

IN THE WEST, NOTHING NEW (4)

The markets can rest easy, as Janet Yellen, who will succeed Ben Bernanke at the Fed in January, suggested that she wants to continue the quantitative easing program of her predecessor (QE3). (5) That said, she has little choice, for the illusion that the US is still upright is maintained by this program, which artificially boosts the real estate and financial markets, and keeps US government financing costs low. But the markets alone celebrate the news. Foreign countries wonder when the bubble exported by the Fed will cease, how it will end, and how to wean the US from QE, and if they have not sufficiently decoupled, what will be the repercussions for them. Civil society already knows that the “benefits” of QE never come to pass, (6) rather as if an entire New Deal per year (7) was absorbed by the markets and never benefited the population itself. And the real economy asks when interest rates will go back to a normal value, so that investors are encouraged to fund real projects with non-zero earnings once again. As for the Fed, then, nothing new. Nothing new, either, when it comes to the problems of the country, which are gathering and worsening. One hears of hunger in the mainstream press, (8) of crime rates steadily rising for two years, (9) exploding drug use, (10) and despite budget cuts forcing prisons to release prisoners, (11) there are more prisoners in the US than engineers or secondary school teachers (see the figure below). Despite encouraging official statistics, mass unemployment persists (12), infrastructure is sacrificed, (13) scientific research lacks proper funding (14), etc.

[...]

 Number of prisoners, engineers, nurses, secondary school teachers, etc., in the US. Source : Huffington Post.

THE IMPOSSIBLE US RECOVERY

The problems of the US cannot be solved within the country's existing framework, due to a dilemma: if the economy recovers, the Fed will end its program of support, but the markets will panic, as seen back in September, which will end the come-back... More generally, if an

ounce of real US growth showed its face, the mountains of dollars printed by the Fed and exported to emerging countries would return to enjoy the windfall, causing high inflation and nipping the recovery in the bud. (22) These “oscillations” between hope and despair will continue until the crisis is confronted with the tools of the world after, or until a shock causes a catastrophe. For it is not the QE that will save the economy, since its best result is the sort of artificial life that supports zombie economies and inflated asset bubbles.[...]

EUROPE IS DEAD, LONG LIVE EUROPE (39)

Conflict resolution, trade, finance...we can see a widening gap with the West. Nevertheless, with the image of the new Silk Road connecting Asia and Europe, the latter can get into step with the world, depending on its ability to cut the cord with the US, after the 2014 elections that will serve as a catalyst. The rise of the far-right and of euroskeptic parties, the democratic deficit, the power of lobbies and the weakness of citizens, the centralization in Brussels, the bureaucracy and technocracy...the European Union is dying. (40) According to our team, the 2014 elections will set the current framework ablaze, and will initiate a re-politicization of the EU, initiating a major debate on the future of Europe. This questioning has already begun, with for example the Greens establishing joint candidates throughout EU territory, (41) thereby starting a “real” European election process, or the socialist parties that are pushing Martin Schulz as a serious candidate to head the Commission. (42) But according to LEAP/E2020, this overhaul, if successful, will take a lot of time, and the real deadline for a democratic EU will be 2019. We will analyze in detail the fate of Europe in the Telescope section. This dying European Union is a Europe inspired by, and infiltrated by, US interests. It is a Europe reduced to a vast common market which constantly expands. It is a Europe that lays down before Monsanto, (43) leaving the field open to the American multinational. The sock-puppet of Anglo-Saxon politics, that third American crutch, is collapsing. But the decisions dictated by the American cousin are becoming costly and difficult. (44) Another example is Turkish EU accession, pushed by an American agenda and not by EU or Turkish citizens (45). Already in difficulty, it will be permanently cast off after the far-right invests the European Parliament in 2014. But the continent will not wait for 2019 to reorganize, and questions remain about the form Europe will take. Meanwhile, as we will see in the Telescope section, Euroland has the ability to build a political project that will fill the void left by the EU.

[...]Notes:

1 Taken from “Silence”, 1837.

2 Something inconceivable before.

3 In physics, this refers to a barrier that a particle cannot cross until it has sufficient energy.

4 Title of a [novel](#) by Erich Maria Remarque (1929).

5 Source : [Business Insider](#), 13/11/2013.

6 See the edifying piece « Confessions of a Quantitative Easer » ([Wall Street Journal](#), 11/11/2013).

7 New Deal spending is estimated at \$50 billion in total between 1933 and 1940 (source: [Forbes](#). With inflation, this represents approximately 850 to 900 billion current dollars (cf. [US inflation calculator](#), while the Fed injects 1.02 trillion per year, more in one year than in the New Deal. See also [Answers.com](#).

It should be noted though that QE3 represents 6% of GDP, while at the time of the New Deal 50

billion dollars represented 50% of GDP, which, when spread over 8 years, is also 6% per year.

8 « America's new hunger crisis », [MSNBC](#) (30/10/2013). See also [Reuters](#), 12/09/2013.

9 Source : [Time](#), 24/10/2013.

10 Source : [Bloomberg](#), 13/11/2013.

11 Source : par exemple [CBS](#), 27/02/2013.

12 Sources : [CNS News](#) (22/10/2013), [ZeroHedge](#) (08/11/2013).

13 Source : [Business Insider](#), 01/11/2013.

14 Sources : [ThinkProgress](#) (30/08/2013), [The Tech](#) (07/05/2013), etc. Even the prestigious MIT is affected: [Boston Globe](#), 20/05/2013.

[...]

22 On this subject, see this analysis by Andy Xie, [Caixin](#) (05/11/2013).

[...]

39 In reference to the phrase "le roi est mort, vive le roi!" pronounced first with the succession of Charles VI in 1422. Source : [Wikipédia](#).

40 It is interesting to note that all the "unions" (EU, UK, US) are all in grave peril; in particular, the choice of name reflects principles of governance suited to our times, where a decentralized network of governance becomes necessary to manage large regional blocs.

41 Source : [EUObserver](#), 11/11/2013.

42 Source : [Huffington Post](#), 10/10/2013.

43 Source : [Die Zeit](#), 06/11/2013.

44 Thus, Monsanto corn mentioned above ought to be blocked by many countries.

45 Only 20% of Europeans and 44% of Turks think integration of Turkey would be "a good thing" (source: [Hurriyet](#), 19/09/2013). While Hillary Clinton [said](#) in November 2010: « the United States [...] support the membership of Turkey inside the EU. [...] We don't have a vote, but if we were a member, we would be strongly in favor of it. »

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