

The “De-Americanisation” of the Global Economy: Emerging Solutions for a Multipolar World

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

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It's one of those times when history accelerates. Whatever the outcome of the negotiations on the shutdown and debt ceiling, October 2013 is one of them. It's the deadlock which has opened the eyes of those who still support the United States. A leader is followed when he is believed, not when he is ridiculous.

“Building a de-Americanised world”: this statement would have raised a smile a few years ago. At most it would have passed for provocation by Hugo Chavez. But when we are seeing the United States’ bankruptcy in real-time and it’s an official Chinese press agency that says so (1), the impact isn’t the same. In reality, it’s describing out loud a process which is already well underway: simply, it’s now allowed to speak about it in public. At least US government deadlock has the merit of loosening tongues (2). Let there be no mistake, this analysis hasn’t appeared in the Chinese media by chance, and it reflects Beijing’s hardening tone.

In fact, if the whole world is holding its breath before this pathetic game of the US elite; it’s not out of compassion, it’s to avoid being swept away in the fall of the world’s first power. Everyone is trying to free itself from American influence and let go of a United States permanently discredited by recent events over Syria, tapering, shutdown and now the debt ceiling. The legendary US power is now no more than a nuisance and the world has understood that it’s time to de-Americanise.

This perspective and speaking the unspeakable (3) is finally freeing-up a whole range of solutions which, until now, were simply signs, even still repressed by some. These solutions are speeding-up the construction of the world afterwards and opening on a multipolar world organised around major regional blocs. After a review of American setbacks, in this GEAB issue our team will analyse the forces which are shaping this changing world. In the “Telescope” section we also take a look at the actual state of US society which, behind the mirror of the stock market and finance, explains the collapse of the American way of life and take part in this look with hindsight at the US model. Finally, we update our annual country-risk assessment to complete the global picture and, of course, give our traditional recommendations and the GlobalEurometre.

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“No we can’t”

How times change. The whole world has forgotten the words freedom, hope and the famous saying “Yes we can” representative of US society in the eyes of previous generations to now only speak of taper, shutdown or ceiling. This isn’t exactly the same dynamic and the positive image has become outright negative.

It’s striking to see the extent to which the current US situation confirms the old adage that trouble never comes alone. In a six-week period, first of all humiliation by Russia over Syria, then its central bank which admits it’s impossible to reduce quantitative easing (4); the inability to pass a budget which means federal government shutdown, a shutdown lasting well beyond what is reasonable (5). Negotiations on the debt ceiling at a standstill two days from the deadline; the United States ordered by the G20 to ratify the IMF reform which it has been blocking for the last three years, and by the World Bank and the IMF to put its finances in order (6). And now the Chinese shot across the bows.

A succession of crises

This succession of crises is quite worrying for the country and demonstrates unprecedented acceleration and an impending shock. There is some fatality in these crises. But there is also a dose of strategic recovery. Thus, the shutdown has been exploited by Obama to put pressure on the Republicans into voting for raising the debt ceiling, a much more important deadline for the United States. This is obviously only a partial success, but we can still expect a temporary raising, which postpones all the problems for a few weeks (7); however, it’s still possible that the tragic path is chosen, because it’s no more the domain of a rational decision and therefore cannot be forecast.



Cost of insuring \$10 million US public debt against default. Source : Markit.

In fact, whilst observers are focusing on the Tea Party which, in the same way as minority shareholders are able to control a company through a holding, has managed to hijack the Republican Party and American society; it could be read another way. Many Americans see the reality in front of them: their country is bankrupt. Consequently, is it better to postpone the confrontation with reality, at the risk of amplifying the problems, or is it better to resolve them now? The majority of the population don’t take a dim view of a payment default (8). Besides, what other solution is there ultimately? Is there no desire amongst Republicans to precipitate the crisis? It’s the ideal situation because they can blame the Tea Party which has stated unequivocally that “no agreement is better than a bad agreement” (9). What we mean is that, this time, or probably on another occasion in the near future, they might well be tempted to cut the Gordian knot. Likewise, a strategic recovery certainly took place when the Fed backtracked on reducing its quantitative easing. Why did it let everyone believe

right up to the last minute that it would reduce QE3 without doing so in the end? It's the first time that it has taken investors by surprise, all 100% convinced of a tapering given in the forward guidance, a well-established principle. Is there no connection between the gross insider trading proved to have taken place at the time of the Fed's announcement (10), which had to be worth billions of dollars to the perpetrators? All this supports our theory of desperate US financial institutions which must be bailed out discreetly by such operations, at the risk of undermining the Fed's credibility. Again, short-term solutions which make the situation worse but which push back the fatal deadline a little further. We are no longer the only ones to ring the alarm bell on these American banks: the Bank of England is expecting major banks to fail which, according to it, have lost the status of "too big to fail" (11). We therefore repeat our warning on this subject. Like a boxer, all these blows that the country has taken has made it groggy and it only lacks the last one to floor it. If it doesn't come from a US payment default in October, it will be another deadline which has been pushed back which, this time, won't yield.

Shutdown: the laughing stock of the world, but a forced laugh

When we wrote in the GEAB N° 77 on the budget vote: "no doubt a compromise will be found at the last minute or, more likely, a few hours or even a few days after the deadline", one cannot help but notice that we still underestimated the political differences in Washington since the "several days" which we had in mind have turned into weeks. The daily newspaper, Le Monde, had the headline on its website of "Washington's sorry spectacle" (12). But, in the end, this shutdown hasn't had a disproportionate impact on the financial markets (13), so it's all for the better which many Republicans seem to think who are adapting well to a federal government paralysis and the cuts in public spending which follow.

This isn't the opinion of countries with large holdings of US Treasury bonds, which feel held hostage by the United States (14). They are stunned by the US' indefensible casualness and by the irresponsible attitude of who, until recently, was "the boss". If the country defaults on its debt the shockwaves will certainly be terrible. However, this wouldn't be the end of the world because a possible default could simply take the form of delayed payment for the few days; moreover different parts of the world would be unequally affected according to the extent of their de-coupling from the US economy. No, the country that will suffer most from this solution (and any other for that matter) will really be the United States itself. For the record it holds two thirds of its own public debt.



Breakdown of US public debt holdings. Red: foreign /brown : domestic/ blue : federal government. Source : npr.org.

This is why the best governed countries have already begun this major de coupling, with China in the lead which knows from Sun Tzu that "when it thunders, it's too late to cover one's ears." (15)

Notes:

(1) Sources : [Xinhuanet](#) (Chinese news agency, 13/10/2013), [RFI](#) (13/10/2013).

(2) Even the [Financial Times](#) gets involved (02/10/2013) : « Dollar-based system is inherently unstable ». An incredible statement from an Anglo-Saxon financial newspaper.

(3) The world feedback that the Chinese article mentioned above received shows the interest in this statement from the world's second power, and confirms that it breaks a taboo which will help implement solutions long awaited by a majority of countries. Read, for example, the excellent analysis in the [Asia Times](#), 15/10/2013.

(4) Source : [Bloomberg](#), 18/09/2013.

(5) Source : [CNN](#), 14/10/2013.

(6) Source : for example [PressAfrik](#), 12/10/2013.

(7) Source : [New York Times](#), 15/10/2013.

(8) 58% of Americans would vote against raising the debt ceiling. Source : [Fox News](#), 08/10/2013.

(9) Source : [Le Monde](#), 15/10/2013.

(10) Source : [USA Today](#), 24/09/2013.

(11) Source : [The Telegraph](#), 12/10/2013.

(12) [Le Monde](#), 14/10/2013.

(13) Obviously, since the Fed is continuing its unbridled quantitative easing.

(14) All the same they are willing hostages because they massively and voluntarily financed the country...

(15) Sun Tzu, [The Art of War](#), 6th century BC.

For further details:

http://www.leap2020.eu/GEAB-N-78-is-available-The-de-Americanisation-of-the-world-has-be-gun-emergence-of-solutions-for-a-multipolar-world-by_a14827.html

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