

# The Global Economy Sucked into the Black Hole of World Geopolitics

By [Global Europe Anticipation Bulletin](#)

Theme: [Global Economy](#)

Global Research, September 18, 2012

[Global Economic Anticipation Bulletin \(GEAB\)](#)

## [Public announcement GEAB N°67 \(September 16, 2012\)](#)

*As LEAP/E2020 anticipated since the end of 2011, the end of summer 2012 marks the beginning of the revival for Euroland with the emergence of a positive dynamic fed by two lasting phenomena: first, the progressive operational installation of the instruments bitterly discussed and decided upon during the last 18 months and, secondly, the visionary spark brought by the political changes of the last six months which have put Euroland's medium to long term future back in the middle of the decision-making process. The Euro's progress these past weeks offers a perfect illustration of the phenomenon (1). That being said, Europe will be in recession for the next six to twelve months. It just goes to show that the only good news that we announced in the June 2012 GEAB issue is far from being miraculous.*

In a certain sense, it's even the contrary, since henceforth it's no longer possible to hide the global economy's tragic state behind the pretext of the "Euro or Greek crisis". The more Euroland advances constructively, the more the "Potemkinien" (2) character of the US, Chinese, Japanese and Brazilian... economies' « health » will show itself. The tree will no longer hide the forest, namely that all the major global economies are entering recession or slowing growth simultaneously, leading the socio-economic and financial world into a black hole.

At the same time summer 2012 will have marked a major acceleration in world geopolitical dislocation with a Syrian conflict which becomes more dangerous for the Middle East and the world day by day (3), Israeli-Iranian tension which is ready to explode at any time, and widespread testing of declining US power – from the China Sea to Latin America via the whole Muslim world. The strategic-military world is heated white-hot as the massive resumption of arms sales worldwide illustrates for that matter, with the United States supplying 85% of the total (4).



Global arms sales and principal exporters' share (2010-2011) – Source: New York Times, 08/2012

For these reasons, LEAP/E2020 maintains its June 2012 Red Alert and estimates that, by the end of October 2012, the global economy will be sucked into a black hole against a backdrop of world geopolitics heated white-hot. Suffice it to say that the coming weeks will, according to our team, carry the planet away in a hurricane of unprecedented crises and conflicts.

So, in this GEAB issue, LEAP/E2020 sets out the list of the seven key factors of this double shock without modern historical equivalent:

In addition, this GEAB issue contains an anticipation of the cumulative impact of the crisis and the Internet on European retail trade, predicting a loss of 2.5 million jobs by 2015.

This issue also contains the first of a series of three anticipations on the risks of a social explosion in Europe, the United States (GEAB N°68) and China (GEAB N°69). We decided begin with Europe which, according to our researchers, should experience “times of riots in the first half of 2013”, with of course big differences between European countries.

Also, you will find two GEAB Indices in this issue, the GEAB \$ Index and the brand new GEAB € Index, which will henceforth appear three times a year.

And, of course, there is the GlobalEurometre which takes the pulse of Europeans’ views on key subjects.

This month our recommendations concern currencies (\$, €, £, Yen, Yuan), gold, energy and basic foodstuffs, stock exchanges and life assurance.

Finally, you will find information on the programme for the third Euro-BRICS seminar organized in Cannes by LEAP, in partnership with the [MGIMO](#) on September 27th/29th, 2012 and a GEAB subscriber special offer for the online training in political anticipation organized by our partner [FEFAP](#).

The very painful end of the US anaesthetic is at the crossroads of the seven key factors of a double shock of the coming weeks

Because it is indeed that. As we have underlined on many occasions in the GEAB, the United States has, since the beginning of this crisis, refused to face reality (5) by having increasing recourse to financial, monetary,... (and military) subterfuge to try and mitigate the consequences of the crisis. All this however is proving to be ineffective at the end of summer 2012, in spite of the trillions of Dollars thrown down what is proving to be a bottomless hole.

The best proof is the Fed’s September 13th decision to maintain its Operation Twist programme of Treasury repurchases by adding to it an unlimited programme (in time and amount) of mortgage backed securities repurchases (40 Billion USD/per month) to try and revive the US property market and, through the latter, employment and consumption. The Fed is aware that this decision will cause a backlash and damaging consequences internationally. In fact it has been hesitating for months ahead of a new QE3 (6). But, in trying to avoid a socio-economic implosion and a stock exchange collapse on Wall Street ahead of the November 2012 elections (7) whilst trying to save its own credibility under heavy attack from the Republican camp, it chose “Psychological Easing” rather than “Quantitative Easing”.

The Fed is increasingly becoming the key player in the US property market, thus persisting in confusing the problems of liquidity and solvency. US households don’t have any more money to buy or build houses (8). Mortgage interest rates won’t change anything here. Only Wall Street, for a certain time, will be able to continue surfing on record levels until one “beautiful morning” everything collapses due to a sudden awareness that the real economy

is sinking into depression.

Indeed all the signals are already on red: employment isn't moving up, the jobs created are paid very much less than those lost (9), poverty is exploding throughout the country (10), ... and the US multinationals (11) have increased announcements of falling profits for the second half of 2012 and 2013, returning to the levels of 2008/009, typical of a recession period (12).



Number of US households participating in the Food Stamps Programme (dark line) and benefit received (red line) (2009-2012) – Source: Zerohedge, 07/2012

The US political system's current and future impotence (13) in facing its deficit problems (14) combined with « sequestration » (15) of the Federal budget (16) the effects of which are already making themselves felt throughout the US economy (as we had anticipated from spring 2012) (17), will turn the coming weeks into an endless succession of bad economic news (18) ... against a backdrop of increasingly less well-managed geopolitical challenges. Because the anaesthetic is finished on this front as well!

It only took just a year for all the perverse effects of the 2011 Western attack on Libya to appear: from the assassination of the United States ambassador to Libya to the anti-US riots throughout the Moslem world, frankly one can't deduce a successful policy of "accompaniment" of the Arab revolutions.

The fierce Russian and Chinese will to support the Syrian regime against Western and Gulf monarchies' attempts to overthrow it (19) has not only wrecked any positive dynamics at the UN Security Council but has turned itself into a test of US power in the Middle East.

Finally, it's the whole of East and South-East Asia (Japan, Taiwan, Philippines, South Korea,...) which, through the conflicts over numerous small islands, is in the process of testing the American capacity to stay put, face to face with China (20), an Asiatic power. And they are evaluating in real time what remains of US power in the region. By the beginning of 2013, their conclusions will recombine the alliances and allegiances inherited from the Second World War.

And even the "back-yard" of the United States (according to the Monroe doctrine), namely Latin America, has undertaken to collectively face multi-decade US geopolitical positions: the exclusion of Cuba from trans-American fora and questioning of the war on drugs, the pillar of US interventionism in Latin America for more than forty years (21).

Let's quote Europe also as an anecdote, since Euroland's accelerated integration de facto constitutes an ousting of US influence at the heart of European construction. Beginning in 2013, the IMF (i.e. Washington) will certainly be never invited again to deal with intra-Euroland problems as it is the case today with Greece. Even as regards defence, the surprise announcement of a possible BAE Systems – EADS merger, with EADS as the major shareholder (22), illustrates the end of an era when defence had to be transatlantic with the United Kingdom in charge. Whereas, from now on, BAE Systems is fighting for its life (23).



Diversification of trade relations in Latin America – In 2012 the EU became Mercosur's

primary partner – Source: Monde Diplomatique, 07/2012

Notes:

(1) See previous GEAB issues.

(2) See [Wikipedia](#).

(3) Source: [Yahoo/Reuters](#), 15/09/2012

(4) Especially in the Persian Gulf. Source: [New York Times](#), 26/08/2012

(5) Sources: [New York Times](#), 14/08/2012; [Financial Sense](#), 24/08/2012

(6) Sources: [CNBC](#), 14/09/2012; [Market Watch](#), 29/08/2012

(7) The Fed has therefore decided to support Barack Obama ultimately much closer to it than the new Republican wave. Not very surprising since Mitt Romney announced that he wouldn't give Ben Bernanke a further term in office if he were elected. Source: [Market Watch](#), 23/08/2012

(8) Source: [USAToday](#), 14/09/2012

(9) Sources: [USAToday](#), 21/08/2012; [al-Jazeera](#), 20/08/2012; [New York Times](#), 31/08/2012

(10) Sources: [USAToday](#), 23/08/2012; [Bloomberg](#), 10/09/2012; [Bloomberg](#), 05/09/2012

(11) And they aren't the only ones. Even the luxury goods industry, primarily European, is starting to panic. Source: [Yahoo/Reuters](#), 14/09/2012

(12) Source: [Money News](#), 10/09/2012

(13) Source: [Der Spiegel](#), 17/08/2012; [USAToday](#), 20/08/2012

(14) The budget deficit is soaring towards new records. Source: [ZeroHedge](#), 10/09/2012

(15) Automatic cuts in the defence and welfare budgets.

(16) An agreement doesn't seem possible either on automatic cuts, or on the end of tax reductions. Source: [CNBC](#), 11/09/2012

(17) Source: [Reuters](#), 07/09/2012

(18) Of which growing damage to its commercial competitiveness, a priority of president Obama's however. And, of course, the numerous US credit downgrades or degradations ... but frankly, everyone knows that already, except the blind who amass US Treasury Bonds. Sources: [Les Affaires](#), 11/09/2012; [Market Watch](#), 14/09/2012; [Market Watch](#), 14/09/2012

(19) The United States is increasingly dependent on Saudi oil. Source: [New York Times](#), 16/08/2012

(20) Sources: [Der Spiegel](#), 14/09/2012

(21) Source: [CIP Americas Program](#), 14/08/2012

(22) Let's not be mistaken here: BAE Systems is fighting for its life in this operation, not EADS. As we pointed out in the GEAB N°66, BAE Systems is one of the companies which will be strongly impacted by the Pentagon's budgetary reductions; not only because 20% of its turnover is with the US government but also, because it's a non-American company, its US competitors would, without any doubt, put it completely on the sidelines in these lean years. The USA-UK "special relationship" is a mild delirium which David Cameron and George Osborne must still talk about at the pub in the evening; but it no longer has any more reality on the American side. However the other large customer of BAE Systems is the British government which has massively cut its military expenditure. From where a question of survival for one or two years maximum for BAE Systems... and the only possible option: Europe, or rather Euroland with EADS.

(23) Source: [The Telegraph](#), 14/09/2012

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