BC stands for NEO’s Banned Classic. This article was originally published by our journal on 27.10.14. For some reason, this article is missing from Google search results. Since this article remains pretty relevant to those geopolitical events that are taking place on the geopolitical stage today, we deem it possible to present it to our readers once again. Should it go missing again, you may be confident that you will see it republished by NEO once more, should it still remain relevant by that time.

A global economic collapse has become unavoidable, said former chief economist of the Bank of International Settlements (BIS) William White in response to the BIS’ quarterly report in September 2013. Experts forecast that a global economic collapse may occur, overnight, some time at the end of 2014 or in 2015. The fact that private interests are holding the US Federal Reserve and the Central Bank of England as well as the Bretton Woods institutions in a state of capture makes it improbable that the governments of the USA, UK and EU could prevent a collapse.

Their policies have remained largely unchanged since early 2013, when the Deputy Governor of China's National Bank, Yi Gang, stressed that China does not look forward to an economic war, but that it is prepared for it. BRICS member states have since then capitalized the BRICS Development Bank; the US/UK axis and the EU have launched a war of sanctions against Russia and a civil war in Ukraine. In 2014, China began opening its banking sector for foreign investments and banking at an unprecedented scale; Australia is in a quagmire between US pressure and the trend to make use of attractive and safer Chinese opportunities.

Thailand, Malaysia and other economies are increasingly encouraging their traders and investors to study the Chinese market. With the Bretton Woods system at the brink of possible collapse and conflicts looming, gold and the new gold-based economies are catching the, in some cases more, in some cases less hesitant attention of governments worldwide. The trend is, however reluctantly it is accepted, impossible to ignore.

Avoiding Confusion of Principles. Fiat vs. Gold.

Fiat currencies are not necessarily more unstable than commodity-backed currencies. Both have advantages and disadvantages. Commodities, for example gold, have an inherent value due to the physical presence and the value of labor that has to be invested in mining and refining gold. One problem with gold is that it is as finite as other commodities and that it is not equally distributed across the globe. Gold is, in other words, no panacea against resource-driven geopolitics and conflict. Fiat currencies are, in principle, not finite. To infinitely print fiat currency without backing it with values like commodities, goods, labor force, or by means of a production potential implies that powers with greater military might may be tempted to force others to accept an, in principle, valueless fiat currency that could as well be counterfeit. The US, its militarily backed geopolitics and the fact that it repeatedly forced other nations like Iraq to either accept the dollar for international settlements or face war, while the US is basically producing counterfeit to settle its bills; the use of euphemisms like quantitative easing to cover-up a failed counterfeit-like policy is a good example for fiat currencies inherent problems and risks.

While fiat currencies are not necessarily better or worse than gold-backed systems, the greatest problem with using fiat currencies for economic settlements between nations is rather the fact that some national banks are privately-owned; That is, that its owners are part of rogue networks which hold the government in a state of capture. The
same holds true with regard to the Bretton Woods institutions like the IMF and the World Bank.

Other national economies run well on fiat currencies, provided that the national bank is actually national and that the currency is not created as debt. The current “run” for gold is, in other words, not caused by inherent and superior advantages of gold-backed economies, but rather by the conflict-based dynamics of current international politics.

An Illusion that a Market under Pressure can retain Liquidity.

The realistically pessimistic Quarterly Report of the Bank for International Settlements, in September 2013, pointed at the US Federal Reserve Bank's and European Central Bank's quantitative easing as one of the primary factors which could cause a global economic collapse. Experts agreed that the Federal Reserve and the European Central Banks had lost control over the deluge of money and debt which they create. The BIS report noted, in so many words, that it had become impossible for the US Federal Reserve and the European Central Banks to get the paste back into the tube again while the, at that time, Federal Reserve Governor Ben Bernanke continued stepping on the tube.

The former BIS Chief Economist William White warned, unequivocally, that the world is headed for an unavoidable global economic crash. White noted that the global credit bubble was about to burst and that the percentage level of extreme risk loans was at an all-times-high of 45 percent in the middle of 2013. That is, the interest for extreme risk loans was ten percent higher than it was at the onset of the global economic crisis in 2007. Speaking with The Telegraph, White added that the situation in 2013 was worse that it was prior to the crash of Lehmann Brothers. The newspaper quoted White as saying “All the previous imbalances are still there. Total public and private debt levels are 30 percent higher as a share of GDP in the advanced economies than they were then, and we have added a whole new problem with bubbles in emerging markets that are embedding in a boom bust cycle”.

White forecast that an economic collapse could come overnight, adding that the trouble is, that the US' financial policy has become unpredictable, and that it is an illusion to believe that a market under stress can retain its liquidity.

US liquidity problems also became obvious in 2013, when the Federal Reserve rejected German auditors who had come to audit Germany's gold reserves in the United States. In 2013, Germany, like many others, began hedging against the expected economic crash by attempting to repatriate the lion share of its gold reserves. The German Federal Bank and the government responded to the rejection by demanding the repatriation of the German gold from the US to Germany. The U.S. responded by informing Germany that it only could deliver the gold back in portions, final delivery by 2020.

The US has since begun delivering portions, but informed the German Federal Bank that it had to smelt the bars before delivery. The gold bars Germany has since received could, in other words, not be identified by the serial numbers. The re-refinement process also removed the chemical fingerprint by which the gold otherwise could have been identified as being the gold Germany had deposited in the United States. It could, in other words, just as well have received gold that was stolen from Libya in 2011.

An ironic article, entitled “Germany's Gold and the Fed for Dummies” describes the situation by using an allegory. A biker mugs the owner of a Ferrari, crushes his bones, then steals the car, saying, “look how dangerous the world is, let me take care of that beautiful Ferrari for you”. When the owner has recovered and asks to get his car back he's first rejected. After that, he's allowed to see the engine, without serial number, then a steering wheel, and at the end he gets back spare parts which may, or may not come form his car. Final part plus car key to be delivered in seven years.

Needless to say that the US lacks liquidity. Many analysts note that the US sold off most of the gold it was supposed to keep in store for other nations. The theft could be covered up as long as it was possible to maintain the status quo of the (f)ailing Bretton Woods system.

China prepared for an Economic War.

The Deputy Governor of China's National Bank, Yi Gang, stated earlier that year, that China was fully prepared to face a currency war, if necessary. The Chinese Xinhua news agency quoted Yi Gang as saying: “China is fully prepared in terms of monetary policies and other mechanisms, to deal with a possible currency war, and China will take full account of the quantitative easing policy conducted by the central banks of some countries”. China has since then, prudently, begun to shed US dollars by using dollars to secure valuable assets in western economies,
expanded the scope of its import of strategic resources, invested in partnerships to secure resources and production partnerships in Europe, Latin America, Africa, Asia, and the Middle East, and all of that at a previously unprecedented scale.

While the US, the United Kingdom and the EU continued their “quantitative easing”, their exit strategy to escape the looming collapse was, generally speaking, the creation of conflict as a means to perpetuate that failing glorious New American Century a little bit longer.

The US/U K’s project to prevent the building of the Iran – Iraq – Syria gas pipeline with the goal to create insecurity about the delivery of Iranian gas to Europe; The deep state involvement in manufacturing the crisis in Ukraine, aiming at the creation of insecurity about the delivery of Russian gas to Europe; The attempt to force Europe into a dependency on US -American shale gas and shale oil deliveries while containing Moscow; All of the above are illegitimate responses to legitimate economic problems. They are also, responses which are inherently dangerous and inherently unlikely to result in a successful prevention or at least mitigation of a global economic meltdown and the end of the Bretton Woods monetary system.

Also in 2013, while experts warned that a global economic collapse had become unavoidable and while others already noted that the US/UK failure to win the Syria war by July 2012 would lead to a conflict in Ukraine, the BRICS member states met on the sidelines of the G20 in St. Petersburg, Russia, and agreed to establish a BRICS Development Bank as complement to the IMF and World Bank systems. In July 2014, the BRICS Development Bank was capitalized with 100 billion US dollar. Moreover, the conflict in Ukraine had brought Russia and China closer together with regard to cooperation in the economic sector, the energy sector, as well as with regard to security.

China’s Opening: Gravitating towards the New, Gold-backed Economies.

China responded to the plausibility of the global economic crash by relatively swift and comprehensive deregulation with regard to foreign investment and trade. China was, however, prudent enough to secure the State’s control over the national economy and over the currency. China’s opening did not go unnoticed. In July 2014, the Assistant Governor of the Financial Market Operations Group of the Bank of Thailand (BOT), Chantarvan Sucharitakul, for example, held a seminar for Thai investors and businessmen. Chantarvan encouraged Thai investors, saying that they should investigate the advantages of the use of the yuan in terms of payments when doing business with China. Chantarvan said:

“Presently the use of the Chinese yuan in Thailand is not widespread since only 1 percent of the total14 percent of Thailand’s trade activities with China is traded by using the renminbi (RNB)... However, this rate is increasing fast, and therefore Thai investors should learn how to use the additional trading channel because the yuan's importance and popularity will increase in the future even though it is not widely accepted and fully liberated at the moment”.

Similar developments are seen in Malaysia, Indonesia and several other Asian countries. This development does not happen without stiff US resistance. Thailand went through a severe crisis in 2014, when popular opposition against the government of Yingluck Shinawatra and the government’s defiance with regard to passing an amnesty law for her brother Taksin Shinawatra developed into a protracted standoff and ultimately a majority-backed intervention by Thailand’s military. Former PM Taksin Shinawatra, who admitted that he was governing the country from abroad via his sister Yingluck, fled Thailand after he was sentenced on charges of corruption. The development was met with a failed attempt to create a civil war in Thailand, backed by Wall Street and London elites and the imposition of US sanctions.

The United States as well as Wall Street and City of London lobbies are less blunt when it comes to nations like Australia. Arguably, the fact that a predominantly Caucasian populated/dominated nation like Australia is treated with a soft-power approach while the US/UK perceive it as more legitimate to attempt to subvert Thailand by means of violence is a sign of the entrenched racism that is observable in the UK as well as in the USA.

Soft power or not; US pressure against Australia's attempt to act in the best interest of Australians is putting the Australian government into a quagmire. In October 2014, Australian journalist Michelle Grattan would report that senior Australian cabinet members are believed to be divided over whether Australia should sign up to an internationally funded infrastructure development bank that China is set to launch in November 2014. Grattan noted that:

“Australia has been under pressure from the United States not to participate in the new bank. ... The Chinese plan is being viewed internationally in the wider geopolitical context of Chinese-US competition in the region. The
Americans, who see the bank as potentially a way of China increasing its clout with countries in southeast Asia, have been strongly lobbying to keep out of it.

China, for its part, announced that it would offer funds to underdeveloped countries in the region for projects in the energy, telecommunication and transport sectors. China stated that it will initially fund the regional development bank with 50 billion US dollar, not yuan or the renminbi.

The signals are clear. China is one of the greatest owners of US debt and dollars. China is shedding the dollar as fast, and as much of it as it can without tipping the (f)ailing dollar economies over the edge. Most importantly, China is investing these dollars in the strategic development of regional partnerships by aiding the economies of weaker nations like Laos, by opening its markets for investors and traders from Thailand, Malaysia, Australia, by fostering energy and security cooperation with Russia, by using Hong Kong as the basis for its economic opening.

The 2014 conflict about political self-determination in Hong Kong must be seen within the perspective of China's prudent, but rapid opening of its economy for foreign capital. Not unsurprisingly, it were the National Endowment for Democracy, the soft-power wing of the US State Department and the CIA which supported Hong Kong's “Occupy Central” movement.

The stage is set for a transition, whether it comes in the form of an overnight collapse or not. The one most significant driver of this transition is, arguably, not the inherent weakness of the US/UK's and the Bretton Woods institutions debt-based monetary and economic system.

The primary driver is, arguably, the fact that the governments of countries like Venezuela, Mozambique, Laos, Myanmar, and others perceive the soft-power approach of China as much less problematic and above all much less lethal and devastating than the envisioned “New American Century”. It's like the choice between gold and gunfire.

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