

Global Systemic Economic Crisis - 2012: The Year of the World's Great Geopolitical Swing

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This GEAB issue makes it six years that the LEAP/E2020 team have shared their anticipations with their subscribers and readers of their public briefing on the development of the global systemic crisis each month. And, for the first time, in the January issue which presents a summary of our anticipations for the year to come, our team anticipates a year which will not result solely in a worsening of the world crisis but which will also be characterized by the emergence of the first constructive elements of the “world after the crisis” to use Franck Biancheri’s phrase from his book « [The World Crisis: The Path to the World Afterwards](#) ».

According to LEAP/E2020, 2012 will in fact be the year of the world’s great geopolitical swing: a phenomenon which will without any doubt be the bearer of serious difficulties for most of the planet but which will also allow the emergence of geopolitical conditions favourable to an improvement of the situation in the years to come. Contrary to the previous years, 2012 will not be a “wasted” year, stuck in the “world before the crisis”, through lack of audacity, initiative and imagination on the part of the world’s leaders and because of people’s great passivity since the beginning of the crisis.

We had qualified 2011 as the “ruthless year” because it was going to shatter the illusions of all those who thought that the crisis was under control and that they were going to be able to go back to their “private deals” as in the past. And 2011 was ruthless for many political leaders, the financial sector, investors, Western debts, world growth, the US economy and for the absence of Euroland governance. Those who believed themselves untouchable or a permanent fixture suddenly discovered that the crisis saved nothing or no-one. This trend will, of course, continue in 2012 because the crisis does not respect the Gregorian calendar either. The last “untouchables” will experience it: the United States, the United Kingdom, the Dollar, T-Bonds, Russian and Chinese leaders,... (1) But 2012 will also see, especially in the second half, the forces and players assert themselves who in 2013 and the following years will enable the beginning of the rebuilding a new international system, reflecting the expectations and power struggles of the XXIst century and no longer those of the middle of the XXth century. Therein, 2012 will well be the year of the great swing between yesterday’s and tomorrow’s world. A year of transition, it will mix the worst (2) and the best. But in so doing, for our team, it nevertheless constitutes the first constructive year since 2006 (3).

Incidentally, in this issue we present the 35 developments/subjects, which are equally recommendations, which we anticipate will mark 2012: 20 developments rising and 15 subjects falling. This list can thus be of great practical help to the GEAB reader to prepare for the coming year. Reducing the time wasted reading articles on subjects which are

already secondary in terms of impact on the course of the events or, on the contrary, taking the time to look further into developments which tomorrow will be at the core of coming developments, not to be taken by surprise by the major developments of the coming year, that's what we want this 2012 list of 35 "Up and Down" to be used for. For six years, with a success rate of between 75% and 85%, this annual anticipation is thus a particularly practical decision-making aid for the twelve months to come.

In addition in this issue, our team gives an in-depth analysis of the nature and consequences of a possible QE3 which the US Federal Reserve might launch in 2012 (4). Hoped for by some, dreaded by others, QE3 is generally presented as the ultimate weapon to save the US economy and financial system which, contrary to the dominating chatter of these last weeks, continues to deteriorate (5). Whether the FED launches out with QE3 or not, QE3 will be without any doubt the major financial event of 2012 whose consequences will mark the world financial and monetary system definitively. This GEAB issue will enable you to have a precise idea on the subject.



Change in Primary Dealer Treasury Holdings by Maturity (12/2010 - 10/2011) (in grey: Bills less than one year/in red: Coupons less than 3 years/in green 3 to 6 years/in mauve: 6 to 11 years) - Source: Zerohedge, 10/2011

And QE3 will play a determining role in the world's great geopolitical swing in 2012 because this year will, in particular, see the last attempts of the world's dominant powers of before-the-crisis to maintain their global power, whether it be in strategic, economic or financial matters. When we use the term "last" we want to stress that after 2012 their power will be weakened too much to still be able to claim maintaining this privileged situation. The recent S&P downgrade of the majority of the Euroland countries is a typical example of these last chance attempts: pushed by Wall Street and the City, and because of their insatiable financing needs (6), the United States and United Kingdom have arrived at the point of engaging in open financial warfare with their last allies, the Europeans. It's geopolitical suicide because this attitude obliges Euroland to reinforce and integrate still more and whilst dissociating itself from the United States and United Kingdom; whilst the vast majority of the Eurozone leaders and the populations have finally understood that there really was a transatlantic and cross-Channel war being conducted against them (7). LEAP/E2020 will present its anticipations on this subject - "Europe 2012-2016" - in the next GEAB issue which will appear on the 15th February, 2012.



Western debt distribution (2011) (in light blue: non-financial sector debt/in green: financial sector debt/ in orange: public debt/in dark blue: household debt) - Sources: Haver analytics / Morgan Stanley, 01/2012

On another agenda, the attempts to create a "little cold war" with China or setting a trap for Iran on the question of free movement in the Strait of Hormuz arise from the same reaction (8). We'll return to that in more in detail in this issue.

The great swing of 2012 is also that of the people. Because 2012 will be also the year of people's anger. It's the year when the people will massively enter on the global systemic

crisis' stage. 2011 has been a "warm-up lap" where the pioneers tested methods and strategies. In 2012, the people will assert themselves as the forces at the origin of the major swings which will mark this turning point. They will do it pro-actively because they will create the conditions of decisive political changes via elections (as it will be the case in France with the ousting of Nicolas Sarkozy (9)) or via mass demonstrations (the United States, the Arab world, the United Kingdom and Russia). And they will also do it more passively by generating fear in their leaders, obliging the latter to take a "pre-emptive" attitude to avoid a major political shock (as it will be the case in China (10) or in several European countries). In both cases, whatever the elite of the countries concerned think, it's a constructive phenomenon because nothing important or lasting can emerge from this crisis if the people do not involve themselves (11).

The great swing of 2012 is also the accelerated collapse of the Western banks and financial institutions' power which is a reality described in this issue, contrary to the current populist chatter which forgets that the starry sky that we look at is an image of a long-gone reality. The crisis is such a speeding-up of history that many have not yet understood that the power of the banks which they worry about is that which they had before 2008. It's a subject with which we deal in detail in this issue. At the same time, one continues to see investors flee the stock markets and financial assets particularly in the USA (12).



State debt and economic output of industrialized countries (1991-2011) (in grey: GDP/in red: public debt) - Source: Spiegel, 01/2012

And the great swing is finally the arrival at maturity of the BRICS, who after five years of self-seeking and taking their bearings will, in 2012, start to have a strong and pro-active influence on international decisions (13). However, without any possible doubt, they constitute one of the essential players for the emergence of the world after the crisis; and a player who contrary to the United States and the United Kingdom knows that it's in its interest to help Euroland get through this crisis (14).

With a Euroland stabilized and equipped with a solid governance, the end of 2012 will thus present itself as the first opportunity of founding the bases of a world whose roots won't bury themselves in the Second World War aftermath any more. Ironically, it's probably the Moscow G20 summit in 2013, the first to be held outside the Western camp, which will crystallize the promises of the second half of 2012.

Notes:

(1) And the European debt crisis serial until the end of the first half of 2012. The year will also be very difficult for Euroland as the scenarios prepared by [OFCE](#) show. But it will prove distinctly less difficult than the financial experts and media anticipate today because they underestimate on the one hand the progress made as regards Euroland governance which will bear fruit in second half of 2012; and on the other, the change in psychological context once the world's attention transfers to the US and British problems. On this subject, here a new example of Euro misinformation published by [MarketWatch](#) on 01/09/2012: the columnist, David Marsh, tries to give credit to the idea that the spring 2012 French presidential election will be more bad news for the Euro by explicitly stating that François Hollande is an Eurosceptic. As everyone knows in France, François Hollande is, on the contrary, a pro-European and fiercely pro-Euro which leaves only two options relating to MarketWatch/Marsh: either they don't know what they are talking about, or they are deliberately lying. In both cases, that throws some light on the value of the opinions of the

major US financial press on the Euro and its future. Those who follow it will lose a lot of money! Still concerning Euroland, the [Spiegel](#) of 01/03/2012 offers an interesting plunge into how Merkozysme works which shows how much the two countries are definitively binding their destinies: a development which will accelerate after François Hollande's election that won't have, like Sarkozy, a foot in Euroland and a foot in Washington.

(2) In particular a continuation of the widespread rise in unemployment. Source: [Tribune](#), 31/10/2011

(3) A poetic note makes it possible to illustrate our approach here, which follows on the basis of the methodology of political anticipation described in the "[Manual of Political Anticipation](#)" by Marie-Hélène Caillol, the LEAP president. What should be remembered about the winter solstice? That it marks the heart of the winter because it's the shortest day? Or that it announces spring because from this date the days start to get longer? Both answers are correct. But the first doesn't say much about the future except that it will continue to be dark and probably cold for a certain period of time; it's a photograph, a motionless analysis. On the other hand, the second answer leads the gaze to a more remote future and underlines the existence of a process in action which will lead to changes in terms of the length of the day and perhaps the temperature; it's a dynamic vision of events. Moreover, henceforth the methodology of political anticipation has its place in scientific debate since Marie-Hélène Caillol has been invited to contribute to [an issue especially dedicated to Anticipation](#) (Volume 41, Issue 1, 2012) (coordinated by Professor Mihai Nadin) of the US science magazine the "International Journal of General Systems" (Francis & Taylor), a multidisciplinary periodical devoted primarily to the publication of original research contributions to system science, basic and applied. The article which resulted from this collaboration is entitled: "Political Anticipation: observing and understanding the global socio-economic trends with the objective of guiding the decision-making process".

(4) The recent publication of the 2006 FED minutes perfectly illustrates one of our working hypotheses: the persons in charge of a complex system are generally unable to perceive the moment when it will swing in crisis or chaos. As was the case of Alan Greenspan, Timothy Geithner and associates in 2006, it's the case of the masters of the City, Wall Street or Washington in 2012... who happen to be the same in a number of cases. Source: [New York Times](#), 12/01/2012

(5) The US situation's deterioration is occurring in spite of the wish to hide it by the main media and rating agencies; whilst in Euroland the situation has not deteriorated as much as these same media and agencies would like one to believe. By dropping a little time to time, the outcome is thus no longer in any doubt. As regards US economic deterioration, it's enough to note the collapse of bank profits, of US consumption (the advertisements blaring out the holidays thus gave way to quite poor figures), continuous closings or bankruptcies of retail networks, unemployment kept at historic rates, the growing problem of paying pensions, budget collapse of the large public universities,... Sources: [YahooNews](#), 12/01/2011; [Bloomberg](#), 12/01/2012; [USAToday](#), 12/01/2012; [CNBC](#), 28/12/2011; [Washington Post](#), 27/12/2011

(6) As the table below shows, with a debt to GDP ratio of 900%, the United Kingdom is like an animal caught in a debt trap. And because of the British financial sector's enormous weight of debt, it's condemned to try and force Euroland to pay Greek debts by any means, etc... The Western public debt downgrade is a bazooka pointed on the heart of the Kingdom, the City. Source: [Guardian](#), 01/01/2012

(7) All the better because there is nothing worse than being at war without knowing it as Franck Biancheri wrote on Twitter commenting on the French presidential election campaign twitter.com/Fbiancheri2012.

(8) Russia already made its choice by developing trade with Iran in Roubles and Rials, eliminating the US Dollar from transactions between the two countries. As for Europe, it is fidgeting under US pressure, but ultimately won't make a big deal as regards an embargo because by June (a new date to make a decision), the political map will have really changed. Sources: [Bloomberg](#), 07/01/2012; [Le Monde](#), 09/01/2012

(9) That which, by the way, will put France in its historical "Gallic-European" relationship instead of the occidentalist anchorage which embodied the Sarkozy interlude. Source: [Le Monde](#), 11/01/2012

(10) In China, according to LEAP/E2020, the risk of a major grassroots explosion is at the crossroads of a tense economic situation (which will be the case in 2012 - see this GEAB issue) and a public health major accident; much more than in a context of direct political reconsideration.

(11) The advert by the Egyptian Muslim brothers that they will subject the peace treaty with Israel to a referendum belongs to this same trend. Source: [Haaretz](#), 02/01/2012

(12) Source: [CNBC](#), 06/01/2012

(13) The Chinese leaders, for example, seem more determined than ever to follow the path which they consider the best (including the conquest of space, a symbol par excellence of leadership), rejecting external pressures. Source: [Caixin](#), 04/01/2012; [ChinaDaily](#), 30/12/2011; [NewYork Times](#), 29/12/2012

(14) Source: [20Minutes/Suisse](#), 08/01/2012

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