

In a recent post I reprised a section from a piece released back in the Spring, “The threats lurking in the \$’s shadows”. Here I draw upon it again:

“The script is tired. A nation masquerades its currency as if it were a facsimile for the US\$, and in doing so raises large dollarised debt. This continues until the national currency (be it Nigeria, Egypt, Turkey, Argentina etc.) suffers its inevitable marked devaluation. In the wake of this very nasty shock, the IMF enters with a ‘financial rescue’ package demanding austerity. Enter a period of economic discomfort and a new masquerade at imitating the US\$, and so repeat. And to repeat, whilst the actors performing this pantomime change, the script is the same.

A script however set to be torn up and replaced by a new fresher one.

Having been formed in 2015, the Asian Infrastructure Investment Bank (AIIB) in Beijing, came 70 years after the IMF and World Bank, based in Washington. To say one is a construct of an old century and the other the present one, is clear in these formative dates.

Looking not that far ahead, we will witness emerging nations shift the focus of their currency management from an adherence to \$ dominance, to a regime closely following China’s yuan. This displacement will come with a far greater role for the AIIB and as such, a much diminished one for the IMF/World Bank.”

Now, since penning these words, the US has had its scheduled Presidential election, resulting in what was, back in March anyway, a far from scheduled change.

Of all the President-elect is expected to Trump’et in for the US economy and its finances, there is one near certainty. The assurity of a move towards US frugality in what it contributes financially to the IMF, World Bank and UN. Of these, one might even expect agitation for the third to “get out of New York”. What I mean here is Trump giving the UN notice to not merely move elsewhere in the US, but OUT of it entirely. Yes, along so many lines Trump is as much an isolationist as President’s before him notably Washington and Wilson. This time of course, US disengagement WILL COME WITH far greater consequences far and wide.

Turning to the IMF (by association the SDR and World Bank), the US is its largest “shareholder”/funder at c20%, for its part China lagging it and Japan, at c6%. For Trump then to “turn down” the financial taps to these Washington-based institutions, would have considerable consequences, most notably, giving great new purpose to the Beijing-based AIIB; in which China has a c30% “stake”.

Having liberally drawn from a piece from March let me come to a close by lifting the following from a more recent one, “WHY WHEN TABLE 1 NEXT CHANGES, IT WILL GIVE YUAN VERY BIG HIT TO THE DOLLAR”:

“That neither Brazil nor India appears in China’s currency management, tells me one of two things. The whole ‘new BRIC currency order story’ is entire FICTION. OR, from January, China will MAKE IT REAL BY embracing them”.

To say 2025 will prove a year the world “shifts on its axis” – away from Washington and towards Beijing – is NO overstatement.

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