US plans to corner China and conquer Eurasia

The Oil rush at the beginning of the 21st century

Following the collapse of the Soviet Union, the 21st century began with the formation of the Eurozone and the emergence of China as a global economic powerhouse. Furthermore, this period was marked by a rise in terrorism, proxy wars and regime changes in oil-rich and geopolitically important Middle Eastern and North African countries in response to oppressive regimes and low standards of living. Looking back, we shall attempt to find a logical connection between the complicated chain of events that began with the 21st century.

The world's proven oil reserves amount to 1.67 trillion barrels with current annual consumption standing at 36 billion barrels per year. So, the world has nearly 50 years left to run on oil.

Currently, the US controls nearly 50% of the world's oil reserves directly or indirectly through ally countries such as Saudi Arabia, Canada, Iraq, Kuwait, the UAE, Libya and Qatar (see Table 1). Since the beginning of this century, the US has assisted regime changes in oil-rich Iraq, Kuwait, Libya and Yemen and in geopolitically important countries such as Afghanistan and Egypt. Oil-rich Iraq, Kuwait and Libya hold nearly 300 billion barrels of proven oil reserves, which represents 17% of total global reserves. Iran, with 10% of global oil reserves, has posed difficulties since it is backed by Russia and China, but this has not stopped the US from strengthening its positions all around the oil-rich Middle East and North Africa.

Table 1

Countries with the Largest Proven Oil Reserves		
2017 Rank	**Country**	**Reserves (million barrels)**
1	Venezuela	300,878
2	Saudi Arabia	266,455
3	Canada	169,709
4	Iran	158,400
5	Iraq	142,503
6	Kuwait	101,500

7	United Arab Emirates	97,800
8	Russia	80,000
9	Libya	48,363
10	United States	39,230
11	Nigeria	37,062
12	Kazakhstan	30,000
13	China	25,620
14	Qatar	25,244
15	Brazil	12,999
16	Algeria	12,200
17	Angola	8,273
18	Ecuador	8,273
19	Mexico	7,640
20	Azerbaijan	7,000
	Total 20 countries	**1,579,149**
	Total world reserves	**1,677,000**
	Under US control	**766,430**

**US ally countries shaded in grey*

Trump's new world order

Following the relatively calm presidency of Barack Obama, the world is currently undergoing a new paradigm in which everything is to be made over and made 'greater', at least for the US. But what we see on the surface is a façade that conceals what is happening behind the scenes. The global shake-up is here, having arrived with the US renegotiating NAFTA, imposing trade tariffs on its allies, exiting the Paris Climate Accord, withdrawing unilaterally from the 2015 Iran Nuclear Deal and it nuclear arms treaty with Russia, fencing itself off from Mexico, initiating a trade war with China and organising a coup in Venezuela, all at the same time.

So, the question is why this sudden shift in US foreign and domestic policy is happening now. And can we trace a logical connection among all these events?

The time has come

The US economy recorded a $779 billion budget deficit and added $1.34 trillion to its national debt in the 2018 fiscal year alone. A ballooning $22 trillion national debt at a blended average cost of funding of 2.75% needs to be serviced at a cost of roughly $0.6 trillion for

2019 alone. Following the global 2008 financial crisis, the US national debt began to grow faster than the underlying economy, and, as a result, its debt-to-GDP ratio rose from 80% to an alarming 106%. The US economy, booming on the outside due to being pumped by debt, kept deteriorating underneath, registering record budget and trade deficits year on year. Washington realises that running the US economy on the back of trivial and irresponsible debt monetisation will eventually damage the US dollar's reserve currency status. Over the last 20 years alone, the US dollar share as a global reserve currency has shrunk from 71% to 61% and this trend continues to accelerate.

The key pillars of US hegemony in the modern world are military dominance and the US dollar's reserve currency status. Through these pillars, the US can institute its foreign policy and its order on any nation, company or individual. The Washington realizes that if radical and immediate measures are not taken to remedy the rapidly deteriorating economy that is overburdened by constant and costly military campaigns, the US will eventually find itself in global isolation and extremely tough financial situation.

Where does the threat to US hegemony lie?

China, which is rising both economically and militarily, is portrayed as the sole candidate to challenge the US hegemony. With a rapidly growing economy and ambitious projects on the entire Eurasia, this giant's moves cannot be unnoticed by the US. One of those ambitious projects is China's trillion-dollar 'Belt and Road Initiative', a state-backed campaign to connect Asia, Africa and Europe. As world oceans and waters are controlled by US warships and military bases, China's desire to revive Silk Route is a matter of necessity. As sanctioned vessels operating in international waters could be blacklisted or prohibited from access to ports, terrestrial routes passing through China's ally territories will not be subject to such risks.

China's ambitious plans are backed by rapidly growing economy, which is turning into a global powerhouse. In 2017, China surpassed the US in oil imports, challenging the US-dollar-based petrodollar system.

Top 10 crude oil importers in US dollar in 2017

1. China: US$162.2 billion (18.6% of total crude oil imports)
2. United States: $139.1 billion (15.9%)
3. Japan: $63.7 billion (7.3%)
4. India: $60.2 billion (6.9%)
5. South Korea: $59.6 billion (6.8%)
6. Netherlands: $37.4 billion (4.3%)
7. Germany: $36.2 billion (4.1%)
8. Italy: $26.1 billion (3%)
9. Spain: $25.7 billion (2.9%)
10. France: $23.8 billion (2.7%)

But can China alone challenge the US? China's ability to pose a threat to the US on its own at present and in the foreseeable future is probably exaggerated. Given China's reliance on external natural resources, its ability to challenge the US's position is extremely limited for the time being, but things could change going forward.

What is behind the US-China trade negotiations?

The US-China confrontation, which has resulted in the current trade war, is not something that has happened overnight but rather a process that has been brewing beneath the surface since the start of the 21st century. It is apparent that trade deficit is a mere excuse for US attempts to corner China; the US has been running a trade deficit with almost every nation for many decades thanks to the US dollar reserve currency status.

So, where is the root of the issue? It is no secret that China is becoming an economic and financial centre in the Eurasian region. While China alone does not pose an immediate threat to the US, the economic and military alliance of key players associated with China's growing economy in Eurasia could become an insurmountable hurdle for the US in the near future.

The US has options to contain China and end its economic rise by imposing sanctions, trade tariffs or even by waging a war. But China is not Iran or North Korea. Sanctioning such a giant could eventually prove inefficient and the US may lose the momentum. Furthermore, a big war is unaffordable for the wrecked US economy.

How the US is intending to contain China

China's obvious strength is its biggest weakness**.** As a large powerhouse, China is heavily dependent on external sources of crude oil and gas. If this engine ceases to be fuelled, it will be of no use. With the United States presently controlling nearly 50% of the global crude oil supply and with its ambition to bring this figure to 75%, China might be in trouble.

China's top crude oil suppliers in 2017

1. Russia: US$37.9 billion (15.8% of China's total imported crude)
2. Saudi Arabia: $29.7 billion (12.4%)
3. Angola: $24.9 billion (10.4%)
4. Iraq: $22.4 billion (9.4%)
5. Oman: $17.3 billion (7.2%)
6. Brazil: $16.2 billion (6.8%)
7. Iran: $15 billion (6.3%)
8. Kuwait: $11.9 billion (5%)
9. Venezuela: $7 billion (2.9%)
10. United States: $6.8 billion (2.8%)

Imports from China's leading crude petroleum suppliers (Russia, Saudi Arabia, Angola, Iraq and Oman) represented over half (55.2%) of total Chinese crude oil imports in 2018. In the same year, Iran and Venezuela supplied another 9.2% of China's crude oil supply. A coup in Venezuela and the reimposition of sanctions on Iran deprived China of these sources of crude oil, which means alternatives have to be sought. Saudi Arabia, Angola, Iraq and Oman cannot be considered diversified sources of crude oil for China as these countries, being US allies, could potentially, and suddenly, cut their exports to China and send its economy into deep shock.

It is no coincidence that the US has attempted to change the regime in Venezuela in the middle of its trade negotiations with China. The reason is apparent. Venezuela, which is gravitating towards Russia and China, has the largest proven oil reserves in the world. A regime change in Venezuela, if successful, would give the US access to an additional 18% of global oil reserves, thereby bringing its total portfolio of crude oil 'control' to 65%. Together with Iran, this figure would rise to an astonishing 75% and would further cement the US petrodollar hegemony for many years to come. Iran and Venezuela, which currently control nearly 30% of the world's proven oil reserves, are both being watched closely by the US. If this goal is achieved, the US will gain almost unlimited powers and there will be no one to challenge its hegemony in the foreseeable future.

As such, Washington's ultimate plan is to gain total control of global crude oil supply, directly or indirectly via its allies, in order to keep not only China but also the entire world on a tight rein.

This race started at the beginning of the 21st century, and both camps are fully aware of the impending confrontation and are, therefore, taking their own measures.

What options can China pursue?

China needs continuous and diversified access to crude oil to run its engine and continue growing. If the US begins to corner China by controlling its crude oil supply, China could turn to Russia or Iran for its oil needs. But Russia's capabilities are already stretched, and Iran, being under US sanctions again, would be of little help. While the latter remains under US sanctions, it cannot export oil to China and respectively import goods and merchandise through sea, and the only alternative safe route is by land through Pakistan. However, recent tensions in Kashmir on the border between India and Pakistan could escalate and pose a threat to this alternative route to China. China understands its need for Iran's oil and has been investing billions of US dollars into Pakistan (the China-Pakistan Economic Corridor) to further an ambitious plan to integrate sea and land routes under China's Belt and Road Initiative. As such, stability and peace in Pakistan is a key prerequisite for a supply of natural resources into growing China.

Another option for China is to turn to Saudi Arabia, which is currently its second largest crude oil supplier. Indeed, in recent years, Saudi Arabia has been visibly attempting to gravitate towards Russia and China and away from the US's iron heel. But the mysterious murder of journalist Jamal Khashoggi in Saudi Arabian Consulate in Ankara badly affected the position of the crown prince; further spin on this story could have resulted in the removal from power of the Crown Prince Muhammad Bin Salman and contest for the throne among the multiple heirs of the Saudi ruling family. This would have sent Saudi Arabia into an unnecessary and prolonged period of internal instability. But

US political support helped the Saudi ruling family to emerge relatively unscathed and Saudi Arabia, realising its need for the US's political support, continues to be a US "ally".

It is evident that the coup in Venezuela, the reimposition of sanctions on Iran, the tension between Pakistan and India, and the US pressure on Saudi Arabia are a well-orchestrated chain of events aimed at putting pressure on China. Therefore, step by step, the US is trying to align China's future according to its own vision.

As long as there are no alternatives to the existing petrodollar system and US military dominance, China has no options to consider.

Welcome to the S-400 club

In recent years, many countries have demonstrated an interest in Russian military technology, particularly in its modern long-range air defence missile systems, such as the S-300 and S-400. Furthermore, military breakthroughs in building hypersonic missiles, fifth-generation planes, long-range cruise missiles, new-generation submarines, advanced air defence systems and other modern weaponry able to rival, and in some cases outclass, those of the US are turning Russia into a military powerhouse.

Russia, China, Iran, India and Turkey all have something in common; all of these nations are attempting to form some sort of military alliance. Turkey has the second largest military force in **NATO** and, having been kept at the doorstep of the European Union for decades and mistreated as a NATO member, has every reason to consider a back-up plan. These countries all want to protect their borders and their airspace with non-US military technology. Despite Washington's irritation and ongoing threats, China, Iran, India and Turkey are all deploying Russian long-range S-300 and S-400 air defence systems. And according to numerous military analysts, these Russian systems may be superior to NATO's Patriot systems. It is no wonder, then, that even some of the US's ally countries in the Middle East, such as Saudi Arabia, Qatar and Iraq, are interested in buying Russia's S-400 air defence systems, which have so far been met with disapproval and rejection from the US.

It is clear to see that the largest Asian countries, Russia, China, India, Iran and Turkey, are taking consistent steps to form a military alliance and bring their airspace under a unified air defence umbrella. A new club of five has been formed in Eurasia.

Furthermore, the US, realising that its Patriot air defence missile complexes deployed in Europe are useless against Russia's newly introduced advanced hypersonic missiles, withdrew unilaterally from its nuclear arms treaty with Russia early in 2019.

The gold rush after the 2008 global financial crisis

Some might have noticed that the same group of Asian countries have something else in common. Following the 2008 global financial crisis, the same club of five began to accumulate physical gold reserves while the US piled up debt. The table below shows a list of the 10 countries that hold the largest gold reserves.

Table 2

Top 10 countries with gold reserves in metric tonnes				
Ranking	**Country**	**YE 2008**	**YE 2019**	**% change**
1	United States	8,134	8,134	-
2	Germany	3,410	3,370	-1.2%
3	Italy	2,452	2,452	-
4	France	2,450	2,436	-0.6%
5	Russia	500	2,113	322.6%
6	China	600	1,853	208.8%
7	Switzerland	1,040	1,040	-
8	Japan	765	765	-
9	Netherlands	613	613	-
10	India	350	599	71.0%

Since 2008, Russia and China together have nearly quadrupled their gold reserves, while India's has increased by 71%. During the same period, Turkey, a key regional player and a gatekeeper between Europe and Asia, more than doubled its gold reserves and currently holds 255 metric tonnes of gold despite not being in the top 10. The gold reserves of the US and those of European countries have remained practically unchanged. So, this group of the same Asian countries, Russia, China, India and Turkey, have been steadily increasing their gold reserves in the last 10 years.

A club of five with a lot in common

The Shanghai Cooperation Organization (SCO) is a Eurasian political, economic, and security alliance formed in 2001 in Shanghai by the leaders of China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan; India and Pakistan joined in 2017. Therefore, Russia and the CIS, together with China laid the foundations of an Asian union at the beginning of the 21st century.

It is no coincidence that the club of five is stockpiling gold, entering into bilateral trade agreements outside the US payment platform, putting in place a common military air defence system and integrating their infrastructure and economies.

Therefore, US concern about formation of a new economic, military and trade union in Asia is not just paranoia but rather a harsh reality that cannot be ignored. This emerging Asian trade and military union have all the key pillars in place to be able to challenge US hegemony and its petrodollar system.

Once the club of five have achieved military security with the latest S-300 and S-400 systems by 2020, it will be time to introduce a non-US-dollar payment platform, immune to US sanctions and interference. In fact, an initial model of this payment system has already been introduced and was tested by China in 2018. China, the largest oil importer, introduced a gold-backed petro-yuan, which trades on the Shanghai International Energy Exchange, challenging the Wall-Street-dominated petrodollar. Once the new payment platform is introduced in full scale by a club of five, US-sanctioned nations, such as Russia, Iran and Venezuela will be able to trade freely with each other, avoiding US dollars in their payments.

By introducing a new payment system and forming deeper economic ties, these countries could form one of the largest economic and military unions in the world. And for those of you who have not noticed, this union has been shaping up for nearly 20 years. China, Russia and the CIS, Turkey, India and Iran have all been gathering together to end US hegemony, at least in Eurasia.

Table 3

Top largest economies by GDP			
Ranking	Country	Trillion USD	Debt-to-GDP ratio
1	USA	19.39	108%
2	EUR area	18.8	87%
3	**China**	**12.01**	**50%**
4	Japan	5.42	238%
5	UK	2.62	87%
6	**India**	**2.61**	**69%**
7	Brazil	2.05	88%
8	Canada	1.76	87%
9	South Korea	1.53	40%
10	**Russia**	**1.52**	**15%**
11	Australia	1.38	40%
12	Mexico	1.15	53%
13	Indonesia	1.01	29%
14	**Turkey**	**0.85**	**32%**
15	Saudi Arabia	0.68	19%
	Total	**72.78**	

The economies of China, India, Russia, Turkey, Iran and some of the CIS countries combined add up to nearly 18 trillion in US dollars, making it third in size (see Table 3).

This coming union, operating on a completely new payment platform, will help bypass US sanctions and promote smooth trade and economic cooperation across the entire Eurasian region. There will be no danger of being shut down by SWIFT or sanctioned by the US for disobedience. This will allow countries like Iran, North Korea and Venezuela to trade freely with at least part of the world, unaffected by US sanctions. The outcome for the US dollar is obvious; its share of global trade will shrink at an even faster pace, calling into question the US dollar reserve currency status.

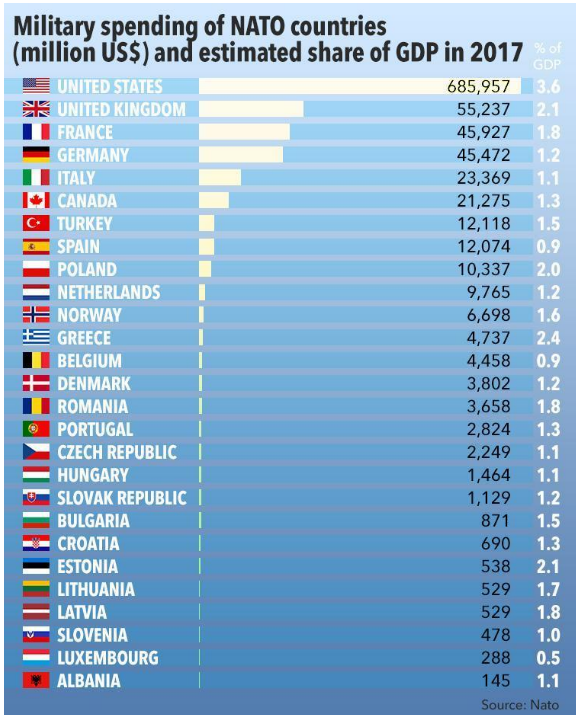
These developments and observations help us to understand why Russia and the CIS, China, Turkey, Iran and India have been stockpiling gold reserves ever since the 2008 global financial crisis. The key pillar of long-term economic stability and fair trade is not a debt-backed fiat system but a gold-backed monetary system. All these fundamental changes will eventually bring about a global shift from a unipolar world backed by the US dollar to a bipolar one backed by gold.

What about Europe?

As always, Europe will not openly oppose the US but will silently support in action the emerging Asian union. Despite US efforts to put a stop to a number of energy projects between Europe and Asia by means of political threats, sanction and tariffs, Europe is gradually gravitating towards Asia and away from the US. Three major gas pipelines from Russia and the CIS to Europe will be ready for operation in 2019, namely, Nord Stream 2, with a capacity of 55 billion cubic metres, TurkStream (30 billion cubic metres) and the Trans-Anatolian Pipeline (16–24 billion cubic metres), which will further integrate Europe and Asia. It should be noted that Turkey is becoming a major energy distribution hub between Europe and Asia. Finally, Russia’s 38 billion cubic metre gas pipeline, Gazprom’s Power of Siberia, is set to begin operating by the end of 2019. It is no wonder we have seen a record number of presidential visits between Russia, China, Turkey and Germany in recent years.

Europe, not seeing Russia as a threat, consistently underpays to NATO its share of 2% of GDP. NATO’s trillion-dollar budget is mostly financed by the US, and half of its European member countries do not even pay 1.5%, let alone 2%, of their GDP (see Table 4).

Table 4



Why the US economic and political crisis might unfold in 2019 – 2020

On the one hand, the US, together with its allies, is attempting to take control over the global oil supply in order to extend the hegemony of its petrodollar system and sustain its global economic and political dominance.

On the other hand, the Asian club of five are taking their own measures to integrate their economies and initiate a long-awaited new payment and trading platform backed by gold. Here are the key developments to watch:

- Arrangements to deploy Russian air defence systems by the club of five to protect their airspace and consolidate their military complex by 2019–2020.

- Despite immense pressure from the US, three major gas pipelines with a total capacity of over 140 billion cubic metres that will transport gas from Russia and the CIS to Europe and China, will be ready by the end of 2019. Completion of these gas pipelines will further consolidate and integrate key Eurasian economies making them more immune to US sanctions and political pressure.

- There has not been a precedent in the history when one country chooses a president for another sovereign country, yet it is happening in Venezuela. The desperate situation in Venezuela will put pressure on the club of five to expedite implementation of a new payment system. While the US is ramping up sanction on Venezuela and threatening to sanction countries that support the Maduro regime, Russia, China, India and Turkey are openly backing Venezuela. It is no secret that the US intends to strangle the Venezuelan economy through sanctions and political pressure. The club of five will try to protect oil-rich Venezuela from falling under US control.

- In 2019, Russia's Gazprom completed its first deal on gas sales to Europe priced in rubles on the Electronic Sales Platform. We should expect more and more transactions in local currencies outside of the US petrodollar system.

- China and Russia will continue to hoard physical gold in readiness to abandon the 50-year-old petrodollar system.

- World debt will reach a record 250 trillion US dollars in 2019, an increase of more than 40% since the 2008 global financial crisis. The debt will exceed the global economy by more than three times with debt-to-GDP, forecasted at an astonishing 320%. The existing debt-based US domination under the US dollar fiat system is reaching a tipping point.

- The US and China ultimately do not come up with any substantial trade deal or realizing pointlessness of negotiations just walk away. Any trade deal is a zero sum game for China with literally no chances of turning into a win-win one. Therefore, we shall see more deadlines not to be respected.

- UK, being part of Eurasia, will most likely not exit EU in 2019. Leaving EU without a proper deal and agreements will mean that UK will be left outside of significant projects and integration processes taking place on Eurasia and Africa. Therefore, UK will continue dragging Brexit process for as long as possible until all key issues addressed and problems solved in UK's favor.

- The US presidential elections will be held in 2020.

Considering the above, we may conclude that the world has decided not to tolerate unipolar US hegemony any longer. Unlike its position in the 20th century after World War II when, as the ultimate beneficiary, the US achieved global economic and military dominance, it has entered the 21st century with a weakening economy, ballooning debt, a divided nation and exhausted allies. History has shown that achieving total world dominance is not possible and even if it were to be achieved might not be sustainable.

China is a new rising powerhouse, which does not have ambitions to dominate the world but rather wants to operate comfortably in a bipolar world. The world is tired of the 50-year-old unipolar petrodollar system. Going forward, we will see further consolidation of powers in the Eurasian region, which will ultimately become immune to US threats, economic sanctions and trade tariffs.

The contours of emerging bipolar world with the new financial system are already visible. However, the same as scientist cannot forecast exact time of the earthquake; it is not possible to know in advance the time when this shift happens. But surely the build-up of stress in the faulted global economic and political architecture has been accumulating for a very long time, reaching a tipping point. As the release of stress during earthquake comes swiftly and unexpectedly, the inevitable political and economic shifts will take place in the blink of an eye, affecting most of us. These dramatic changes will bring great challenges and great opportunities.

Our professional team can help you to prepare for life changes, as well as protecting and increasing your wealth.

Source of information:

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