

## Economic World War

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### I. Preface:

#### 1. Kite:

Once a boy decided to fly his kite. So he went to the terrace. The kite took off in strong wind. Then some things happened:

The boy realised that dark clouds were rushing towards him. There will be rain and storm.

The kite felt that the thread was tying it down. Kite wanted to get free from the thread and from the boy; and soar high. The kite, using force of wind pulled away strongly. Boy lost hold of the thread. Kite soared high up in the sky.

Then it rained.

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Similarly stock exchanges around the world have lost connection with economics. World is in the danger of an Economic World War. And the market indices are soaring.

You know the future of those who are relying on a share market that soars independent of business. Especially the people who leverage for speculation & derivatives.

#### 2. Explain Economic World War:

##### 2.1 Economic Exploitation:

When one country exploits another country economically, it is “**Economic Exploitation**”. In many cases, the economic exploitation continues for a long time. The exploited do not realise that something wrong is happening. They may not complain.

**2.2** Exploitation is quiet, without apparent aggression. Sometimes, the aggressor opens up all forces in an open **Economic Attack**. U.S.S.R. suffered an Economic Attack in the year 1992, South East Asian nations suffered in the year 1997. India suffered a minor test attack in the year 2013. Again Russia is under an Economic attack since 2013.

**2.3** Sometime the exploited country realises its exploitation. However, it simply does not know how to respond. Everyone knows how to respond to a weapons war. But how do you fight back on economic war?

At present Russia, Europe, Japan and India fall into this category- ignorant about their economic defence.

- 2.4 When several countries come together and start an open war against the aggressor, it is an **Economic World War**.

Economic wars result in massive flights of capital destroying – first the share markets and then entire economies.

3. Subject of Economic War is a huge subject. Since we don't consider these matters in our regular practice, we don't study the intricacies of economic war. This subject can take a full book. How do I condense it in one paper?

I and my partners have written several papers on related subjects. These are available on our website: [www.rashminsanghvi.com](http://www.rashminsanghvi.com). In this paper, I am summarising what has been said earlier; and elaborating a few new issues. Those who are interested in more depth may visit:

(i) World Economy & U.S.A.:  
[http://www.rashminsanghvi.com/articles/economics-&-investment/world\\_economics/world\\_economy\\_&\\_U.S.A.html](http://www.rashminsanghvi.com/articles/economics-&-investment/world_economics/world_economy_&_U.S.A.html)

- (ii) Currency War.
- (iii) Current Account Deficit.
- (iv) Allow Rupee to Appreciate.
- (v) South East Asian Crisis.

4. Anyone who is planning long term massive investment by borrowing/ leveraging may consider the prospects of economic turmoil in coming years. Form his own opinion and then take further action.

Two proverbs are stated together:

- (i) "History repeats itself."  
 "And yet no one can predict future."

(ii) Even God Ram did not know – what will happen the next day. Whole Ayodhya and Ram and all were celebrating – because next day was Ram's Rajyarojan. (Installation of Ram as King and retirement of Dashrath.) At night, Kaikeyi asked Dashrath to fulfil his promises. Next day Ram, Sita and Laxman went to the forest for twelve years.

If Ram could not see future; who are we, mere mortals?

Future may be projected. Not predicted. Study history. Analyse present. See the opportunities and dangers. Be prepared. Then one may take steps as life unfolds itself.

**5. Please note that -**

**5.1** All the processes considered in this paper may look highly improbable.

**5.2** I have covered certain economic developments. There were several reasons for the processes to culminate as they did. I have picked up only the main factors.

**5.3** There are many papers written by economic wizards and institutions - analysing these processes. Most analysts have theories different from my theories.

**5.4** Generally, every event is considered as just an event. Try to look at history and **consider several events as part of a process** that took place. Consider simultaneously politics, Governance, individual psychology, mass psychology, economic theories, real business, technology, etc. Then consider several processes working simultaneously and producing certain results. At the end, if you like, consider The Law of Karma.

**5.5** Most people will neither suspect nor criticise the Rich and the Powerful.

**5.6** Consider the fact that mass media publishes "paid" news, articles and editorials. Who pays them? Apart from business advertises, there are some payers who have long term strategies going on for decades. The media is used for "**Mind Manipulation**".

**5.7** When a society or a section of society is rich or even comfortable; when the system keeps them happy; they are **not prepared to hear views** critical of the system.

**5.8** When the system strikes and there is a huge financial crisis - suddenly **Multiple Theories** appear in the media. **Confuse and confound** is the strategy. No one, not even the victims understand who is the aggressor and how to protect one. Immediate illustration is Oil Price War. The crude oil price dropped from \$ 148 per barrel to less than \$ 50. There are multiple theories on who is the aggressor, who is the victim and what is the cause of this economic attack.

Only a persistent, open minded researcher will spend the time necessary to look below the surface.

6. Understanding Economic World War requires understanding of: Foreign Exchange Rate Mechanism. "How the market exchange rate is determined."

Is there a "Free Market" as defined in economics?

Consider your stock exchange. If your stock market is manipulated, realise that global FOREX market is almost unregulated. Big financial institutions with liquid funds larger than many Central Banks do manipulate foreign exchange rates. Derivatives are a great instrument for tempting people with possibilities for high profits; and then draining them out.

\*\*\*\*\* Preface Completed \*\*\*\*\*

## II. Back Drop:

7. **Terms of Trade:** We have studied during college days, the concept of "Terms of Trade". When the terms of trade are favourable for one side of the trade; that side benefits. For the other side, the terms of trade are "adverse" and that side loses.

I am giving some **illustrations** without going into details.

- 7.1 **Mr. Sharad Joshi** of Shetakari Sanghatana (Pune) has established that in India, the terms of trade are loaded against the farmer. Hence the farmer remains poor and the middle men earn more than the farmer. This is **domestic trade**.

- 7.2 **In International trade**, when the terms of trade are in favour of a nation, it benefits at the cost of others. Late Prime Minister Shri Narsimha Rao had prohibited export of iron ore on the grounds that the terms of trade were loaded against exporters of ore and in favour of producers of finished steel. Lobby pressures soon forced him to lift the export controls.

- 7.3 An effective way of turning the Terms of Trade in your favour is by **exchange rate manipulation**.

## 8. Ways of ensuring favourable Terms of Trade:

In the past, the **European nations** attacked rest of the world, ruled most of the world and converted them into **colonies**. Some of these European nations procured commodities and labour at cheap prices from their colonies; converted the same into finished products and sold very high prices. This was imposition of adverse terms of trade by brutal **military force**.

Today exploitation has become more sophisticated. Political colonies have been replaced by **economic colonies**.

Political colonisation was open & brutal. So people realised their exploitation & revolted. In economic exploitation, most people do not realise that they are being exploited. "Mind Manipulation" is done through media and several other ways. Most people including Central Bank Governors, Finance Ministers and Economists willingly participate in their own countries' exploitation. Different vested interest lobbies actively support them. Several countries including India have been and are being exploited right now.

#### 9. **Currency Manipulation:**

When a nation wants to reap huge advantage in international trade by currency manipulations, it may adopt following strategy.

- (i) Ask all **suppliers** of commodities to **undervalue** their currencies. This can be done by mind manipulation, media management, lobbying, buying influential politicians and bankers. In many countries, install important central bankers and finance ministers, finance secretaries who are convenient to you.
- (ii) Force your **competitors** to revalue/ over value their currencies.
- (iii) Keep your **own currency** over-valued.

#### **Explanation by illustration:**

Indian Rupee was valued at Rs. 45 per dollar in the year 2011. An exporter of commodities from India, exported goods invoiced at \$ 1,000. He got Rs. 45,000.

Then the Rupee was depreciated to Rs. 62 per \$. One would think that the exporter's revenue will increase from Rs. 45,000 to Rs. 62,000. In reality, what happens is that the American buyers force the supplier to reduce the price to around Rs. 45,000. The exporter feels that he is not making loss, he is able to compete in the international market. Collectively, India is a big loser. Whereas, earlier India received export proceeds of \$ 1,000; now it will get only \$ 725.

India's exports fall in terms of \$ by 27.5%.

At the same time, India's imports are inelastic. In fact, crude oil imports keep rising. Hence the import bill goes up by 27.5%.

This is the **key reason why** for last 68 years India has not been able to achieve a Current Account Surplus. Whatever progress we make, a

huge portion of our GDP is transferred to our trading partners and **we continue to have Trade deficit.**

Every time Rupee is depreciated, India becomes poorer. Individuals don't realise it. But the oil cost goes up. Hence energy costs, transport costs go up. Hence there is a general inflation in India. Hence exports become less competitive. Every investor in India suffers. Depreciation of Rupee sets off massive vicious cycle.

#### 10. **U.S. \$ Global Currency:**

U.S. has ensured that: U.S. \$ becomes global currency and remains global currency. There are Enormous Advantages of being able to issue a global currency. No other currency is allowed to take its place. Any country that tries to do international trade in any other currency is attacked. SDR, issued by IMF was planned to be an international currency. It has been made dead at birth.

It is now evident that:

**Iraq** was attacked by USA simply because Saddam Hussein started selling crude oil to European countries in Euro.

**Iran** is suffering continuous Economic Attacks because it is selling crude oil in currencies other than U.S. \$.

Let us see two major economic attacks in details- para 11 & 12.

#### 11. **South East Asia: Boom & Bust:**

Five **South East Asian nations** – Malaysia, Indonesia, Philippines, South Korea and Thailand were exporting components to Japan. Japan assembled those products and exported the same to U.S., Europe, etc. These SEA nations considered the fact that their exports were in Japanese Yen and not in U.S. \$. Hence these nations decided to shift the currency for exports from \$ to Yen.

A plan of Boom & Bust was hatched to teach them a lesson.

**BOOM:** All the five nations were encouraged to remove their foreign exchange controls & liberalise their economies. When they complied, they were praised as Asian Tigers, their finance ministers were given international awards. All five currencies became either free float or pegged to US \$. Anybody could buy their shares and securities. Foreign Financial Institutions bought shares and securities in a big way. Share markets went up. Anyone who bought shares made money. People who leveraged made more money.

Stock exchange transactions and banking was fully computerised. People borrowed in Yen at around 2%, interest, converted into U.S. \$ and then converted into local currencies to speculate in shares and properties. They became five big casinos. Their economies were based on BPO and other exports.

**BUST:** In June 1997, when all five nations were basking in glory, certain specific giant bankers in partnership with U.S. Government & IMF, unleashed an economic war on all these five nations. In a concerted action all banks and financial institutions dumped all these currencies and all their shares and stocks. Completely withdrew all their funds from these five countries. Hong Kong, Singapore and Taiwan were not targeted.

The share markets of the five countries collapsed. All brokers who had leveraged were the first to go insolvent. Then property markets collapsed. Entire economic cycles collapsed. Currencies crashed by thousands of percentages. Huge inflation crashed complete economies.

The five nations went bankrupt. Many people committed suicides. But they could not fathom – who was attacking them and how.

Malaysia took some independent steps. It was the first to recover.

Indonesian Government did not realise that IMF & World Bank were partners with the cartel. Indonesia took advice of IMF. Within a short time there was a revolt in Indonesia, U.N. forces attacked Indonesia, deposed president Suharto & East Timor was separated from Indonesia. Indonesian economy was completely ruined.

Who made the profits when these SEA nations made huge losses? The banking cartel that caused huge flights of capital, speculated in share prices and currencies. US benefited in the manner that US \$ was re-established as the currency for international trade.

**Lesson:** In these economic wars, IMF, UN, banks & financial institutions, share markets, currencies and military force – everything is used simultaneously.

## 12. The Reagan Plan - USSR: Drain & Strike:

USA & USSR were in a race to be Super Power from the end of 2<sup>nd</sup> World War. USA was No. 1 and USSR was No. 2. Both were in a cold war situation till 1980. President Reagan started an unannounced economic offensive against USSR after the year 1980. This is now famous as **The Reagan Plan**. USSR spent huge resources in as fighting war in Afghanistan (against Taleban created by USA) and in development of

STAR WARS - intercontinental computer controlled missiles with nuclear arsenal. (An arms race ignited by Reagan.)

In the year 1990 USSR president Gorbachev started wide scale liberalisation programme. He voluntarily ordered withdrawal of Russian military from Afghanistan. This was considered a proof that USSR's financial position was bad. Then there was internal political turmoil and Yeltsin became president of USSR.

The G4 - (USA, UK, Germany & France) came together. They stopped all imports from USSR - though it had gold, diamond, crude oil etc. to export. They dried up all foreign exchange incomes of USSR. For any imports that USSR wanted, the G4 asked for cash payments. USSR financial flows were choked up. Economically ignorant Yeltsin asked for help from G4. They offered loan of \$ 30 billion (which was a big amount in the year 1992) - on a condition that USSR should scrap controls on the economy. By one fiat (presidential decree) Yeltsin scrapped all controls on the economy - which was regimented for more than seventy years. Suddenly there was an utter chaos in USSR. USSR Rouble value per US \$ crashed from 4 to 30,000. Huge inflation and impossibilities to import anything ruined the economy completely. Economic chaos crippled the military might of USSR. Their army, navy and air force crippled. Large number of people were retrenched. Many of them turned into MAFIA. It had to withdraw its military from the East Europe and allow them to leave Russian influence. Very soon, USSR itself broke up into fifteen different countries. Within a year USSR collapsed, Rest is the history.

### III. Current Scene:

13. In 1992 when USA + Cartel attacked **USSR**, the Russians did not know who was attacking them and why. Today President Putin knows clearly that US & its cartel are attacking Russia. He does not know how to defend Russia.
14. In 1997, President Mohammed Mahathir knew that the five SEA nations were attacked. But he did not know - who was attacking and why. Today all the five nations know - who attacked and why.
15. In 1960 **France & Germany** knew that US was enjoying "Enormous Advantage" because of \$ hegemony in the international trade. They started negotiations and ultimately European Union and **Euro** - currency have developed. This has caused a big dent in US \$ hegemony. On the day of commencement of Euro as a currency, (1<sup>st</sup> Jan, 1999); there was a big attack on the Euro resulting in massive depreciation of the Euro. Since then there have been repeated attacks on Euro.



16. **Japan** has been manipulated and exploited for several decades. Current Prime Minister Shinzo Abe knows this and follows an economic policy independent of USA.

China has lent U.S. \$ 2.5 trillion to USA and has realised that much of it is useless. China is taking active steps to get out of U.S. \$.

BRICS are on an active – slow and steady exercise of building BRICS bank and currency.

17. **Attack on Russia.**

At present, a systematic attack is going on, on Russia. Wide spread economic sanctions have been imposed on Russia. Fall in crude oil price by 67% has crippled Russian exports & hence its economy. Russian Rouble has fell from- one \$ equal to thirty roubles to – about sixty Roubles.

18. **India:**

India is a soft target for Economic Attack. In 2013, Both RBI and Finance Ministry, allowed a drastic fall in Rupee. RBI Governor and Finance Ministry have declared that they will not protect Rupee if rupee depreciates. They refuse to see the vicious cycle of depreciation of Rupee, inflation and further fall in Rupee purchasing power. This denial was there under UAE Government and continues under Narendra Modi Government.

19. **Summary of the Backdrop:**

A cartel of U.S. Government, IMF, UN, banks, financial institutions and media have made economic exploitation of and economic war with:Japan, U.S.S.R., China, South East Asian (SEA) nations, Brazil, and India. For oil – they have exploited Iraq, Iran, Russia, Venezuela, Saudi Arabia. They have also attacked European currency Euro.Right now big economic attack on Russia is going on.

20. **U.S. Position:**

1. **U.S. GDP** is \$ 17 trillion per year.Probably, the GDP is exaggerated if you consider that:

(i) U.S. \$ is fundamentally overvalued.

(ii) The system is so developed that rest of the world produces manufactured goods to software and even services the computers and systems that work in USA. Then American marketing companies sell the same goods and services at much higher prices.

2. **US Budgetary deficit** is about \$ 500 billion per year. This deficit is under stated. It does not reflect items like expenditure on Iraq & Afghanistan wars. One estimate is that US has suffered around \$ 6 trillions on these two wars. Where and how these figures are reflected in US Budget and US Debt figures – is difficult to find. Government reports the expenditure to be \$ 1 trillion. Time Magazine reported Harvard Economist's estimate between \$ 4 trillion to \$ 6 trillion.

In USA, nobody saves. Neither the Government nor the public. Compare: In India, people save significantly. Government overspends – Budgetary deficit. Still there is a net saving of around 30% of the GDP. One can say that USA must borrow every day \$ 2 bn. Otherwise its financial system will stop and Government will stop.

3.	US Total Debt is	\$ Trillion
	Declared by U.S. Government Agencies	18
	<b>Add:</b> Freddie & Fannie Mae liabilities not considered	5
	<b>Add:</b> All the Bail Out Guarantees not considered	?
	<b>Add:</b> Social Security liability not considered	45
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	<b>Total is more than:</b>	<b>68</b>
		=====

Against this debt, U.S. foreign exchange reserve is around \$ 130 billion.

5. After considerable bitter experience US realised that the wars on **Iraq and Afghanistan** have cost it unacceptable damages. Hence while it threatened **Iran**, it did not start a weapons war with Iran. Now US is drawn into a war with **ISIS**.
6. U.S. also has a trade deficit of around \$ 500 billion. It means, the world supplies goods & services to US on credit.
7. Consider a probability that the Economic War of 1992 is reversed. World refuses to supply goods & services to US on credit; and stops accepting US treasury bonds. And the world sells US bonds that it already holds.
21. **China:**  
China holds total foreign exchange reserves of \$ 4 trillions. It is believed that about 60% of this total is in terms of U.S. investments, loans,

treasury securities, etc. China has started an active wide spread programme of reducing its US investments. The steps taken are:

1. China is adopting serious strategies to make the Chinese Renminbi an International Currency. Many western economists criticise the strategy. But China is making steady progress.
2. China is making offer to all countries with which it deals; to settle their transactions in bilateral currencies and to avoid U.S. \$.
3. China is buying huge international assets – land, oil wells etc. and paying off in U.S. \$.
4. China actively supports BRICS bank and BRICS currency.
5. It is alleged that – IMF, U.N. and World Bank are dominated by USA. Hence China has proposed – an alternative to rival IMF – Asian Infrastructure Investment Bank (AIIB). Britain, Germany, Japan, Russia have joined / will join. Almost all important countries around the world are ready to join except USA.
6. China is flush with foreign exchange. It has taken active advantage of the American – European Financial Crisis that started in the year 2008. It lends and helps crisis ridden European countries. Chinese influence is spreading. USA – itself being in deep crisis, can't prevent this.
7. Crisis ridden USA cannot finance its military bases around the world. It has to pull back from many locations. China is slowly spreading its presence in places being vacated by USA.
8. China is setting up financial centres that will trade in Renminbi. Countries are eager to set up such centers in their cities. Slowly Chinese economic power is rising and spreading.

USA has never tolerated any country being powerful. But US cannot do anything to China.

Now what?

Wait and see the biggest international war game preparations going on.

## 22. Consider history:

1. What was the reason for the last two World Wars? Greed.

Some European nations which had sea-coastline could develop navy. They colonised large parts of the world and became rich. These nations were fighting against each other in India and in several colonies around the world. Germany had no coast line, no navy and hence did not have the advantage of colonies. Germany attacked. Almost all these nations came together and fought Germany. These were called world wars. Though South America, whole of Africa and Australia were not party to the wars.

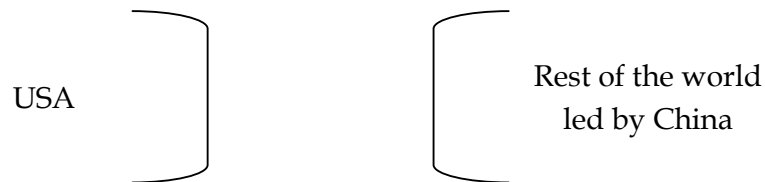
2. US has enjoyed \$ hegemony for a long time.  
Euro was a challenge to \$ supremacy. USA has attacked Euro on its formation day and thereafter.

Europe has not retaliated so far. Not even in terms of media campaign.

And economic war has not escalated into a full fledged weapons war.

3. Iraq sold crude oil in Euro and challenged \$ supremacy. Iraq did not care for Economic sanctions. Hence the economic war escalated into full-fledged weapons war.

While Iraq has been destroyed, US has still not won the war. And US has been financially seriously damaged.



Did not attack Europe.

God Bless our World.

Rashmin Chandulal Sanghvi.