

Collapse Of The Western Financial System Looms As A "Strategic" Russian Default Is Possible

By Pepe ESCOBAR

History may eventually decide the ‘New World Order’ started on September 28, when Russian President Vladimir Putin and US President Barack Obama had a 90-minute face off at the UN in New York.

Irrespective of spin – “productive” according to the White House, “tense” according to a source close to the Kremlin – **facts on the ground accumulated almost immediately.**

Putin did press Obama for the US to join Russia in a real grand coalition bent on smashing ISIS/ISIL/Daesh. The Obama administration, once again, relented. I detailed [here](#) what happened next: **an earth-shattering game-changer in the ‘New Great Game’ in Eurasia, straight out of the Caspian Sea, that caught the acronym fest of US intelligence – not to mention the Pentagon - completely off-guard.**

So this was Putin’s first message to Washington, and the Pentagon/NATO combo in particular; your fancy ideas of stationing tactical nuclear weapons or expanding missile defense to Eastern Europe, or even Asia-Pacific, are just a mirage. **Our cruise missiles are capable of wreaking real effective havoc;** and soon, as [this piece](#) argues, there will be more hypersonic, high-precision long-range missiles added to the mix.

Old habits don’t die hard – they remain in a coma forever. The Pentagon’s response to the facts launched from the Caspian Sea was to conduct an airdrop of light weapons to “a select group of vetted leaders and their units,” as in those famously non-existent Syrian “moderate rebels.” The weapons will inevitably be captured by assorted Salafi-jihadi goon outfits in no time.

Then the British government was forced to deny a Murdoch-controlled [Sunday Times](#) “report” that British Tornados in Syria are now armed with air-to-air missiles to counter potential Russian aerial “attacks.”

And to top it off, the proverbial “military experts” infesting US corporate media started spinning that we are only 30 seconds from World War III.

The Glazyev „nuclear“ plan *

A still apoplectic Pentagon will take time to absorb the new military facts on the Syrian ground – and skies. That will add to the utter desperation displayed by the ‘Masters of the Universe’ in the Washington/Wall Street axis – itching to break the China-Russia strategic partnership by all means necessary. Quite a feat when the Pentagon is still fighting World War II, with its weapons, ships and monster aircraft carriers displayed as sitting ducks against Russia’s new batch of missiles.

But then there’s also Putin’s second – silent - message to Washington, which

didn't even have to be delivered in person to Obama. US intel though may have a hint about it, as they closely follow Russian media.

It's about Sergey Glazyev's (presidential aide) plan for Russia's immediate economic future [here](#) is a summary of the plan, in Russian. The plan was formally proposed to [Russia's Security Council](#). Here is a very good summary on how Russia's Security Council works.

There are at least three absolutely key points in Glazyev's plan. We may summarize them like this:

1. If the emerging trend of freezing private assets of Russian legal entities and individuals continues, **Russia should consider full or a partial moratorium on the servicing of loans and investment from the countries involved in the freezing.**
2. The amount of foreign currency assets of the Russian Federation located in the jurisdiction of NATO countries accounts to more than \$1.2 trillion, including short-term debt of about \$800 billion. **Their freeze may be partially offset by retaliation against NATO assets in Russia, which amounts to \$1.1 trillion, including over \$400 billion long-term.** So this threat would be neutralized if Russian monetary authorities organized a timely withdrawal of Russian short-term assets in the US and the EU.
3. Glazyev is adamant that the Russian Central Bank continues to serve the interests of foreign capital – as in the financial powers in London and New York. He contends that the **high interest rates practiced by the Russian Central Bank led Russian oligarchs to borrow more cheaply from the West, making the Russian economy dependent, a debt trap which the West used to slowly squeeze Russia.** Then the rigged Western oil and ruble collapse increased the pressure as debt service in ruble cost and interest doubled.

So what Glazyev proposes, essentially, is that Moscow must gain total control of its Central Bank, preventing speculators to move their credit around for non-productive purposes; Moscow should also establish currency controls; and must create a central organization of technological research to replace the loss of Western technology, imitating the US methodology of rolling out from its centralized military research those technologies that can be commercialized for the consumer market.

The fact is Russia has lost access to Western credit and cannot roll over its debt with the creditors. So Russia will have to pay the principle and the interest as it comes due. That is a trillion dollars plus interest. Russia also cannot import anything from the West without paying double for it. **So arguably the country may be now in the very position it will be if Moscow opts for default. Thus, Russia would have nothing to lose by a default - as the damage is already done.**

A shock to the system

Essentially, once again, **a Russian default on a \$1 trillion-plus debt to private Western parties remains a possible scenario discussed at the highest level** – assuming Washington will persist in its anti-Russia demonization campaign.

It's clear the squeeze Russia is feeling has less to do with sanctions than the grip

maintained by Western financial powers over the Russian Central Bank. **The Russian Central Bank did create a debt trap by maintaining high interest rates in Russia while the West was lending at low interest rates.**

Needless to add, such a default, if it ever happened, would collapse the entire Western financial system.

One should never forget the Big Picture; the Syria/Ukraine/sanctions saga runs in parallel to Russia-China and closer BRICS integration shifting the balance of geopolitical power. For the 'Masters of the Universe', this is beyond anathema. Enter, for instance, the use of cash settlement through their Wall Street proxies to raise the A shares of China to hysterical highs and then try to crash their entire stock market by a reverse cash settlement rig as in 1987.

China is moving toward their own SWIFT payment system, not to mention a whole new Chinese-led set of international institutions independent of US control. Russia, for its part, recently passed a bill that would allow the seizing of foreign assets if Russian assets in the West are seized. As Glazyev pointed out, investment in Russia by the West are more or less equivalent to investments of Russia in the West.

The 'Masters of the Universe' may keep insisting on using financial weapons of mass destruction. Russia, silently and with a few key facts in the Caspian Sea, is letting them know it's ready for whatever scenario they can come up with.

A less apocalyptic ending may be healthy. **So here's a popular joke in Moscow nowadays**, as told by William Engdahl...

Putin is back in the Kremlin after his meeting with Obama in New York. He tells an aide he invited Obama for a game of chess. And then he tells it how it works: **"It's like playing with a pigeon. First it knocks over all the pieces, then it shits on the board and finally struts around like it won."** -- *emphasis, zero hedge* –

Note

* <http://thesaker.is/sergey-glazyevs-report-about-urgent-measures-to-counter-threats-to-the-existence-of-russia/>

Sergey Glazyev's Report: "About urgent measures to counter threats to the existence of Russia"

Dear friends,

*This is "The Report" (all in caps!), the famous and, for some, infamous report presented by **Sergei Glaziev** to the Russian Security Council. Not an excerpt of a paraphrase – the full thing, appendices and all. To say that our translators did a huge and very hard job would be an understatement. I read the original Russian text, and I can attest that it is hell to translate. So I immense and heartfelt THANK YOU to KA, Elo-na, Seva and Eugenia – what you guys did is fantastic!!*

The Saker

Source <http://www.business-gazeta.ru/article/140998/>
Translated by **KA, Elona, Seva, Eugenia**

“Business Online» for the first time publishes the full text of the widely discussed analytical document that will be presented today at the Security Council of the Russian Federation.

Today, presidential adviser Sergey Glazyev will be presenting at the closed session of the interdepartmental commission of the Security Council the same report, which became widely known thanks to front-page article in the newspaper “Kommersant”, where it was named as the most complete presentation of the program outlined by the supporters of the “modernization breakthrough.” At the same time, at the disposal of both critics and apologists of these ideas was a biased set of fragments, but not the text itself – “Business Online» fills this gap.

The report **“On urgent measures to strengthen the economic security of Russia”**, will be presented today at the inter-ministerial committee of the Security Council, which, after reading will pass it to the “Grand Council” chaired by Russian President **Vladimir Putin**. Proposals for the change of economic policy were prepared under the supervision of the Presidential Adviser **Sergey Glazyev**, although not by him alone, but by a group of about fifteen associates. Most of them belong to the domestic scientific community, moreover, the adviser to the president is a member of the Academy of Sciences.

Meanwhile, last week, the document acquired notoriety because of freestyle exposition of its ideas in the newspaper “Kommersant” – many economists and liberal journalists criticized the report. Yet no one could read the “Pasternak himself”, because the report has not been published anywhere. As explained one of our well-known economists, head of the Institute of dynamic conservatism Andrey Kobaykov, the quotes from the report in “Kommersant” were “completely torn out of context,” and in this distorted form caused quite a stir in the Internet and in the liberal press. Meanwhile, in his view, the document offers practical measures to prevent the collapse of the Russian economic and public institutions in a standoff with the West.

“Business Online» is the first of the Russian Media to offer its readers the opportunity to to make up their own minds about the report of Sergey Glazyev. For ease of reading, we have divided it into chapters.

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