



Trump threatens BRICS - for no good reason. Diplomacy works differently.

Trump as a tamer with carrot and stick does not shy away from BRICS. But: a Lack of competence can become a global risk.

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A president warms up and threatens BRICS

Trump's threat

A few days ago, the deal-maker, who will soon be moving into the White House, opened up about BRICS for the first time:



Donald J. Trump ✓

@realDonaldTrump

The idea that the BRICS Countries are trying to move away from the Dollar while we stand by and watch is OVER. We require a commitment from these Countries that they will neither create a new BRICS Currency, nor back any other Currency to replace the mighty U.S. Dollar or, they will face 100% Tariffs, and should expect to say goodbye to selling into the wonderful U.S. Economy. They can go find another "sucker!" There is no chance that the BRICS will replace the U.S. Dollar in International Trade, and any Country that tries should wave goodbye to America.

We have already written about Donald Trump several times and described him as a "gifted salesman with deficits" in our article "US elections decide war or peace". His stick-and-bread strategy is nothing new. However, it only works if the stick or the prospect of it creates the necessary fear and the basic argumentation is sound. There is a lack of both here.

Turning away from the US dollar is a reaction - not an action

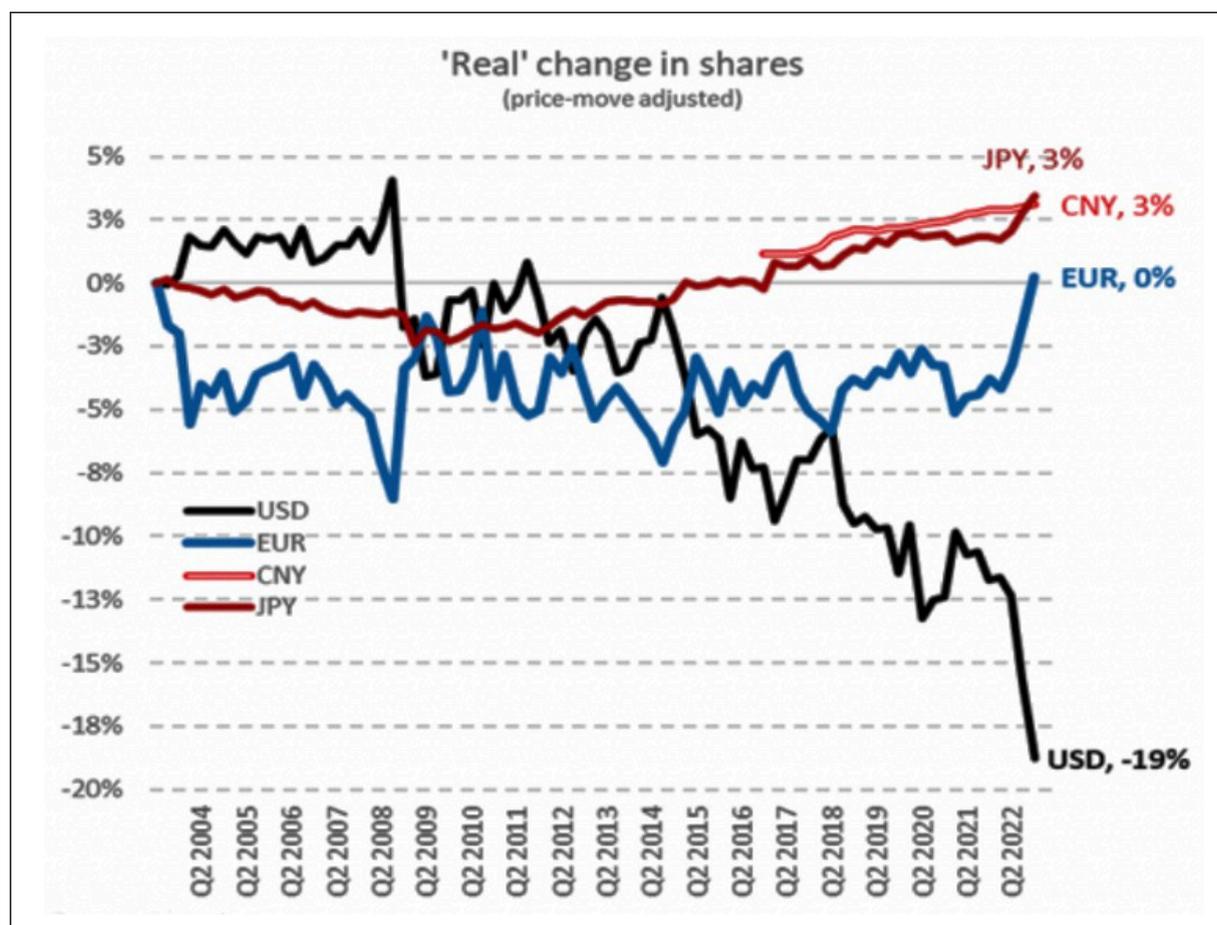
The reason why BRICS is pursuing a "no dollar strategy" was set by the US. After Henry Kissinger invented the petrodollar following the US's deliberate breach of the Bretton Woods Agreement in 1971, which was glossed over as "closing the gold window", virtually all of the world's commodities were traded in US dollars, giving the US an exorbitant privilege. By obtaining reserve currency status, the US was able to refinance its budget automatically and cheaply.

But that was not enough for the US. It used the US dollar ever more vigorously and ruthlessly as a weapon. Countries, organizations, companies and private individuals who, in the opinion of the US, did not behave with care were arbitrarily cut off from the US dollar without any procedures based on internationally recognized law and thus practically cut off from international trade.

This made many countries - justifiably - suspicious. When the Americans - the EU and even Switzerland immediately followed suit - first froze the foreign exchange reserves of the Russian central bank in March 2022 and even stole them (at least the income from them) from that year onwards, many countries in the Global South turned away from the US dollar in such a way that they avoided the US dollar in foreign trade whenever possible and reduced their reserves in US dollars.

The bypassing of the US dollar by many countries is therefore the sole responsibility of the US; it is a reaction to illegal behavior by the hegemon. BRICS has therefore not behaved aggressively at all, but has adapted to the situation created by the US.

The result can be seen impressively from 2022 onwards. What is interesting in this context is the fact that we found no data showing the situation in 2023 or 2024. Is this something you don't want to show?

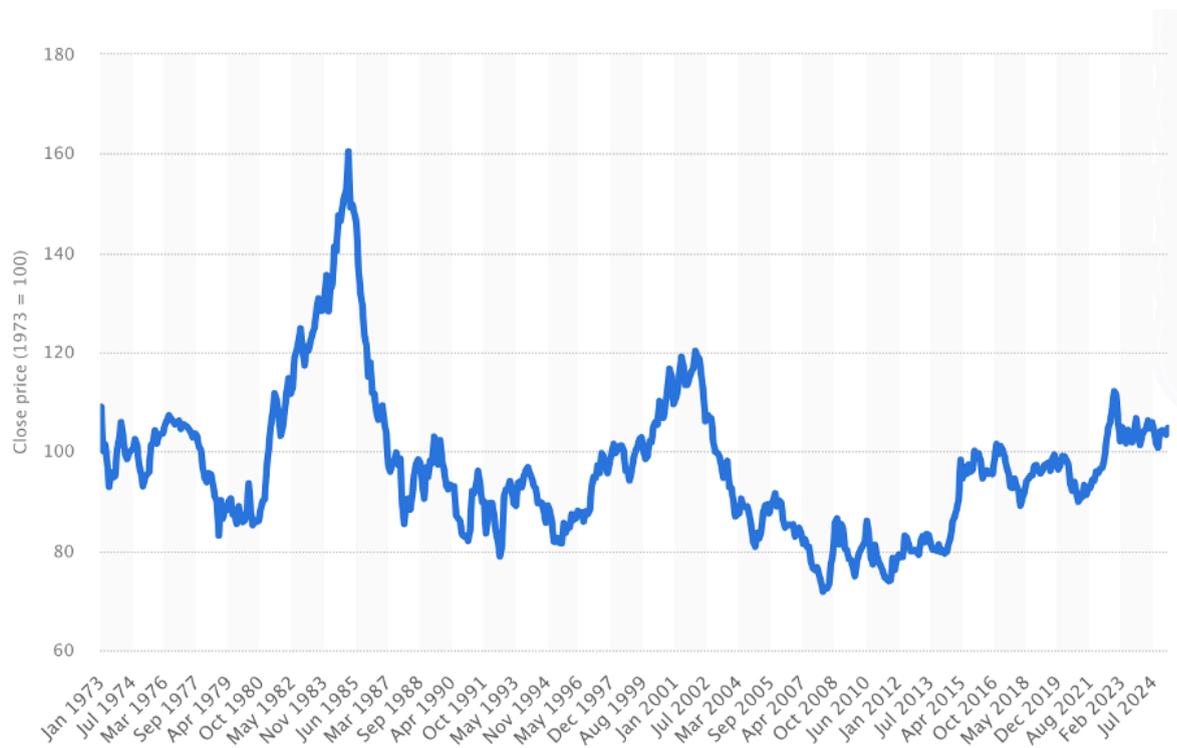


Source: Bloomberg

The US dollar is collapsing - not suitable as a reserve currency

In addition to the risk assessment, which really forced BRICS to take this step, there are also tangible economic considerations that make it seem sensible to avoid the US dollar as an investment.

The US dollar is always described as strong and the US Dollar Index (DKY) "Dixie" is cited in this context. However, this index shows the strength of the US dollar compared to other currencies (yen, euro, British pound, Canadian dollar, Swedish krona and Swiss franc) and is therefore a relative value.



Source: Statista

If, however, gold is taken as a guideline, things look different.

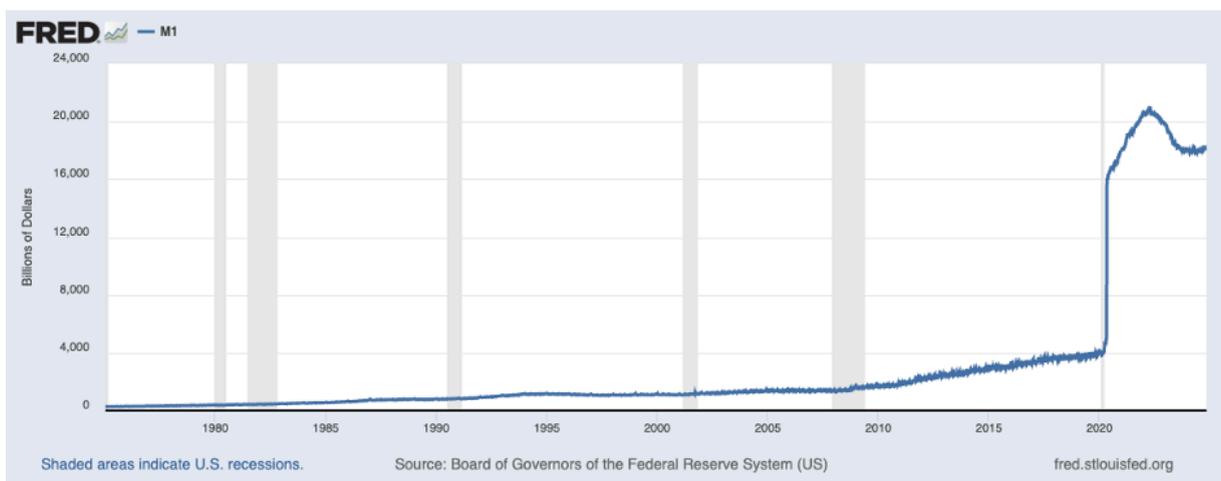
THE DOLLAR CRASH 1971 - 2024



Quelle: Von Greyerz Gold

The reasons for this are trivial: You spend more than you earn and let those who (have to) hold the US dollar as a reserve currency foot the bill.

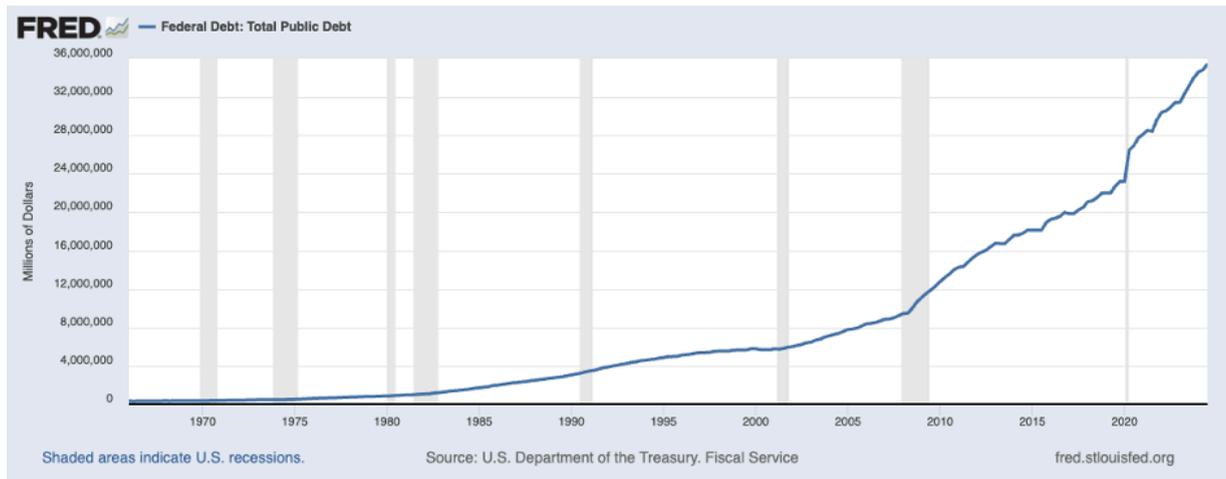
The M1 money supply has increased steadily since 1971 and really exploded from 2020 onwards. Printing money devalues a currency.



Money supply M1 - Source: FRED – Federal Reserve Bank of St. Louis

The US debt has been exploding for decades and currently stands at over 35 trillion. Every president promises to reduce the debt. Since President Reagan - when he took office, the debt amounted to 0.75 trillion - every president after him

has doubled the mountain of debt.



Absolute debt - source: FRED – Federal Reserve Bank of St. Louis

Ronald Reagan managed to reduce the debt to 30% of the gross national product. Now it is 212% - these are the values of a banana republic.



The costs that the US spends on servicing its debt per year have amounted to over one trillion since 2023.

U.S. Interest Payments Reach \$1 Trillion



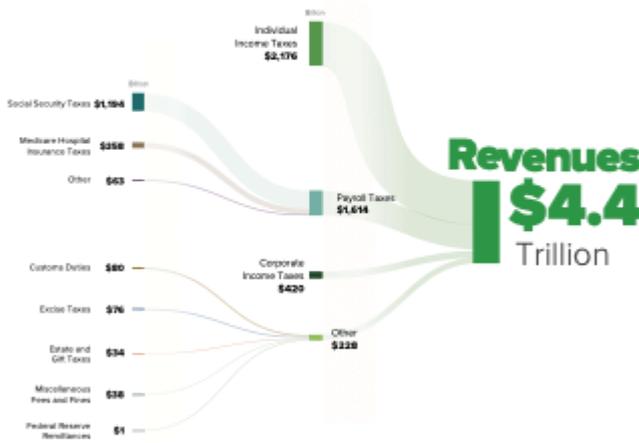
<https://www.visualcapitalist.com/u-s-debt-interest-payments-reach-1-trillion/>

That is more than the US spends on its military. In 2023, total federal revenue amounted to USD 4.4 trillion, but USD 6.1 trillion was spent. The deficit therefore amounted to USD 1.7 trillion.



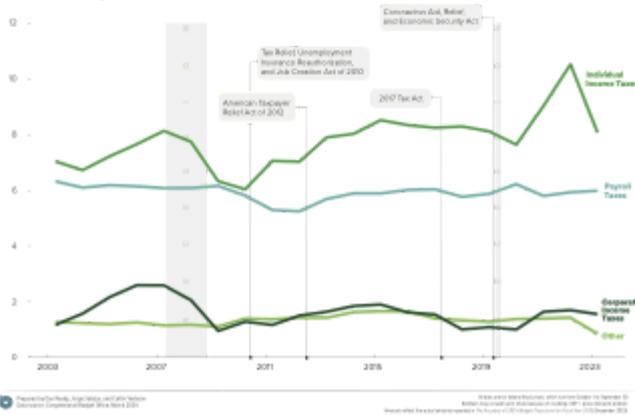
A Closer Look at Revenues

Taxes and other funds collected from the public that arise from the government's exercise of its sovereign powers



Trends in Revenues

Percentage of GDP



Source: <https://www.cbo.gov/publication/59730>

A large proportion of the debt will have to be refinanced over the next few years. As a result, it can be assumed that pure interest costs will rise to USD 1.5 - 2 trillion per year over the next few years.

Donald Trump's threat of 100% tariffs

Donald Trump seems to have taken a liking to tariffs. He already used this instrument in his first term of office and has now even announced that he wants to use this revenue to balance the US budget.

Example: Let's assume a car from China that is sold in the US is subject to an import duty of 100%. Purchase price from China: USD 25,000 plus duty of USD 25,000 leads to a sales price in the US of USD 50,000.

The American consumer thus pays USD 50,000 for a product that would actually cost USD 25,000. The car buyer will be delighted, because it is he who is being ripped off. Furthermore, such tariffs are extremely inflationary because the products concerned will experience inflation of 100%.

In the short term, these tariffs will give American car manufacturers an advantage, as their products are not subject to tariffs. This takes competitive pressure off their competitors. However, competition is essential for the continuous improvement of products.

Producers under pressure must constantly look for ways to manufacture products more efficiently. If this pressure is removed, the price-performance ratio will deteriorate. Tariffs are therefore extremely damaging to the US as a production location, as it quickly loses touch with the competition.

Donald Trump's threats are therefore completely unfounded, as it is not the Global South that has turned away from the US dollar, but the US that has forced countries of the Global South, especially Russia, out of the US dollar and frozen or already stolen their currency reserves.

Furthermore, as the guardian of the world's reserve currency, we should budget differently than the US does. If you look at the key figures for this currency listed above, you have to ask yourself why there are still countries that hold it as a reserve at all. The argument that the US dollar is stronger than other currencies is a bogus argument, as the other currencies are even worse than the US dollar and the US dollar has the valuation bonus of a reserve currency. Without it, the US dollar would be finished.

Trump's behavior harbors risks - others show how it can be done

Donald Trump is playing the strong man - that comes as no surprise to anyone. With his statements, he is trying to intimidate the recipients of his threats with extremely negative consequences in the event that they do not align themselves with American interests.

This may be successful with people with a Western mentality. However, when it comes to the mentalities that prevail in the Global South, I consider the chances of success of this strategy to be not only unsuccessful, but counterproductive.

BRICS is not an idea that could be implemented by members. BRICS is based on facts and convictions. Despite the extremely adverse circumstances that have accompanied the development of this organization since 2022 at the latest, it has managed to systematically expand its influence by growing its membership and partner base and implementing many functionalities in the area of trade. This is an astonishing result, as the group of members and partners is extremely heterogeneous and there have been differences between many of these parties, some of which could easily lead to military conflicts between China and India. The ability of the individual parties in this organization - even with the mediation of other member states - to de-escalate these problems and refer them to the diplomatic arena is extremely impressive.

They are careful not to formulate statements in terms of tone and content that make further communication between the parties difficult or even impossible. Instead, a respectful, diplomatic and simply decent tone is maintained between the parties.

"Analena Baerbock - the trinity of stupidity, lack of education and impertinence"

Trump is by no means the only Western representative who behaves like a bull in a china store when it comes to communication. In Europe, for example, Ms. Baerbock stands out, obviously adapting her communication to her level of education and competence and becoming a trinity of diplomatic terror, so much so that the Chinese even felt compelled to cancel a joint press conference in Beijing a few days ago. It is practically impossible to enrage a Chinese diplomat to such an extent - Ms. Baerbock succeeded.



"Anaelna Baerbock - the trinity of stupidity, lack of education and impertinence"

The day will come when this behavior will lead to countries like China and Russia telling countries like Germany that they no longer want to communicate with these individuals.

Conclusion

Trump's strategy towards BRICS is both incorrect and unwise in several respects: he is complaining about a circumstance for which the US is responsible. You cannot promote your currency as the world currency and then exclude part of the world from this currency. The consequence is that not only those excluded, but also others, take geopolitical risk considerations that lead them to avoid this currency that is being used as a weapon.

"The US - a shopaholic dimwit indulging its shopping lust and not paying its bills"

Furthermore, as the guardian of the world currency, one also has a responsibility, namely the responsibility to protect this currency, i.e. to maintain its value. However, since the introduction of Bretton Woods, the US has behaved like a shopaholic fool, living out its shopping sprees and not paying its bills. This is another reason why many countries in the Global South prefer to invest their savings in gold rather than in US dollars.

Ultimately, the strategy of threats may bear fruit with Western partners. However, such behavior is counterproductive in relation to the Global South, especially Asia. This is one reason why Sergei Lavrov has earned an excellent reputation in Asia for decades. You can be firm on the issue, but communicate it in such a way that you can look each other in the eye again later. The two-hour interview with Tucker Carlson is once again testimony to Lavrov's genius: he danced around Tucker like a ballerina, placed all his arguments and let Donald Trump's herald return to America empty-handed and with a clear message: The ball is in your court, Mr. President, we have infinite time. - That's how diplomacy works.

ARTICLE TAGS:

Analysis Trump, Donald Baerbock, Annalena Carlson, Tucker Kissinger, Henry
Lavrov, Sergey BRICS Federal Reserve (FED) Global South Bretton-Woods