

## Weekly Commentary 37

*The Dollar Yen Rate and Japanese politics - Kishida resigns And will the Dollar rise, after a NATO invasion of Russia?*

Last week, we covered the sharp appreciation of the Yen. Just as we thought the Dollar has turned around and the Yen would strengthen, Japanese politics intervened and injected another directional flip into the Dollar Yen rate. Japanese prime minister Kishida resigned. This is what happened.

Reuters reported it as follows:

### **Japan's Prime Minister Kishida to resign, paving way for new leader**

By Tim Kelly and Sakura Murakami

August 15, 2024 3:48 AM GMT

#### Summary

- Kishida will not seek re-election as party leader
- Kishida's term dogged by scandals, discontent over inflation
- PM says politics can't function without public trust

TOKYO, Aug 14 (Reuters) - Japan's Prime Minister Fumio Kishida said on Wednesday he would step down next month, succumbing to public disaffection over political scandals and rising living costs that marred his three-year term, and setting off a scramble to replace him.

"Politics cannot function without public trust," he told a press conference to reveal his decision not to seek re-election as the leader of the ruling Liberal Democratic Party (LDP).

"I made this heavy decision thinking of the public, with the strong will to push political reform forward."

The LDP will hold a contest in September to replace him as president of the party, and, by extension, as prime minister.

Kishida's ratings dipped after he took office in 2021 following revelations about the LDP's ties to the controversial Unification Church.

His popularity took another hit when a slush fund of unrecorded political donations made at LDP fundraising events came to light.

He also faced public discontent as wages failed to keep pace with rising living costs as Japan finally shook off years of deflationary pressure.

"An LDP incumbent prime minister cannot run in the presidential race unless he's assured of a victory," said Koichi Nakano, a professor of political science at Sophia University.

"It's like the grand champion yokozunas of sumo. You don't just win, but you need to win with grace."

His successor as LDP leader will face the task of restoring the public's confidence in the party and tackle the rising cost of living, escalating geopolitical tensions with China, and the potential return of Donald Trump as U.S. president next year.

U.S. President Joe Biden called Kishida's tenure "nothing short of historic" and praised his new national security strategy, support for Ukraine, and steps to usher in a new era of U.S.-South Korea-Japan cooperation.

"Prime Minister Kishida's courageous leadership will be remembered on both sides of the Pacific for decades to come, and I will always be grateful to call him my friend," Biden said in a statement.

U.S. State Department spokesperson Vedant Patel told a regular briefing he had no doubt that whoever took over from Kishida "we will continue to deepen our alliance and partnership with Japan."

#### MONETARY POLICY AND MILITARY BUILDUP

Through his stint as Japan's eighth-longest serving post-war leader, Kishida broke from previous economic policy by eschewing corporate profit-driven trickledown economics to set his sights on boosting household income, including wage hikes and promoting share ownership.

Item 1 of 4 Japan's Prime Minister Fumio Kishida speaks during a press conference at the prime minister's office in Tokyo on August 14, 2024. Kishida confirmed on August 14 that he will not seek re-election as head of his party next month, meaning the end of his premiership.

He led Japan out of the COVID-19 pandemic with massive stimulus spending and also appointed academic Kazuo Ueda as head of the Bank of Japan to guide the country out of his predecessor's radical monetary stimulus.

In July, the BOJ unexpectedly raised interest rates as inflation took hold, contributing to stock market instability and sending the yen sharply higher.

Kishida's departure could mean tighter fiscal and monetary conditions, depending on the candidate, said Shoki Omori, chief Japan desk strategist at Mizuho Securities in Tokyo.

"In short, risk-assets, particularly equities, will likely be hit the most," he said.

Kishida's premiership was also marked by a changing security environment that spurred Japan to revisit its traditionally pacifist policy.

He unveiled Japan's biggest military buildup since World War Two with a commitment to double defence spending aimed at deterring neighbouring China from pursuing its territorial ambitions in East Asia through military force.

At Washington's prodding, Kishida also mended Japan's strained ties with South Korea, enabling the two and their mutual ally, the United States, to pursue deeper security co-operation against the threat from North Korea's missile and nuclear weapons programs.

"Personally, I wish he continued a little bit more as prime minister," said Naoya Okamoto, a 22-year-old office worker in Tokyo, the capital.

"Maybe he was stressed (with the low ratings), and with all the circumstances around him, I guess he has no choice but to step down."

#### NEXT LEADER

Former defence minister Shigeru Ishiba has already thrown his hat in the ring as a prospective replacement for Kishida, saying he would like to "fulfil his duty" if he gained enough support, public broadcaster NHK said.

Other names floated as potential contenders include Foreign Minister Yoko Kamikawa, Digital Minister Taro Kono, and former Environment Minister Shinjiro Koizumi.

Experts say the LDP will have to pick a fresh face that breaks from the scandals if it is to survive a general election due by the third quarter of 2025.

"If the LDP picks its next leader in a way that disregards public criticism against political funding scandals, the party could suffer a crushing defeat," said political analyst Atsuo Ito.

"The party must choose someone young who has no ties with the present administration and thus can present a new LDP.

**This abrupt turn of events led to a sharp reversal of the Yen exchange rate as can be seen in the annual chart of the currency below.**



The turnaround in the last week was probably due to Kishida's sudden resignation. The US Dollar obviously has not rebounded to the 161-62 level but it was still a significant rally from the lows.

Here are another two assessments of Kishida's stepping down, one by the Lowry Institute and another by Foreign Policy:

### **The Lowry Institute:**

#### **Kishida's abrupt resignation: Japan leaves a decade of Abe's influence behind**

Yuma Osaki

*But there is an unprecedented uncertainty about who will take up the Japanese leadership next.*

Published 15 Aug 2024

On August 14, the day before Japan's End of the War Day, Prime Minister Fumio Kishida made a sudden announcement about his intention to resign. Kishida stated that he would not run in the next leadership election for the ruling Liberal Democratic Party (LDP), scheduled for September. This means the winner of the upcoming presidential LDP ballot will be the new Japanese prime minister.

Precisely three years ago, when Kishida declared his candidacy for the LDP leadership race, it triggered the resignation of then prime minister Yoshihide Suga. After

ascending as Japan's 100th prime minister, Kishida focused on addressing issues left unresolved by previous administrations.

Kishida, known for his leadership style of "listening", was harshly criticised even by LDP members for not clearly conveying his intentions. Ironically, before his sudden decision to step down, Kishida spent an unusual weekend without meeting anyone for two days, according to local reporters, which seemingly gave him the time to reflect.

**He explained that stepping down was a chance to reset public distrust in the party.**

Kishida's resignation, however, may signify a fresh start for Japan. During his press conference, he explained that stepping down was a chance to reset public distrust in the party regarding the slush fund scandal, where profits are said to have been skimmed off political fundraising in recent years. Kishida seemed to be flagging a potential change in the LDP. While he expressed "no hesitation in taking responsibility", as the party prepares for the upcoming general elections in both the upper and lower houses, which must be held by July and October 2025, the main reason for his resignation appears to be doubting his ability to lead the LDP to victory.

Kishida's administration was said to have secured a "golden three years" after winning a majority in the 2022 House of Councillors election. With general elections then a long way off – and the prime minister having the prerogative over the timing – he nevertheless faced a series of setbacks.

In January this year, he dissolved his faction within the LDP in response to the unfolding scandal over fundraising parties hosted by the party. This move, unprecedented in the history of the LDP, long considered as a federation of factions, led to the disbandment of several influential powerbases, including those previously led by former prime minister Shinzo Abe and former LDP secretary-general Toshihiro Nikai. Internal party conflict was the result.

Then in April, local government elections saw the defeat of three LDP-affiliated candidates. A month later, Kishida couldn't carry a victory even in a mayoral election in Hiroshima – his own constituency. By June, as Kishida hit the 1000-day mark in office, his cabinet's approval rating hovered around 20 per cent, a critical threshold.

While domestic politics proved challenging, Kishida made notable achievements both at home and abroad. In a broader context, his three-year term marked a departure from the "Abe era".

Domestically, he geared up significant changes in Japan's security policy, including the build-up of defence capabilities, an increase in defence spending to more than 2 per cent of GDP, and revisions to key defence documents. He also reversed Japan's post-2011 nuclear power policy that had followed the Fukushima nuclear accident, considering the construction of new plants to meet decarbonisation goals. Additionally, the aggressive monetary policy known as "Abenomics" eventually shifted direction with the appointment of a new Bank of Japan governor.

In foreign affairs, Kishida, who was Japan's longest-serving post-war foreign minister during the Abe years, made significant strides while confronting myriad challenges. His administration responded decisively to Russia's invasion of Ukraine in 2022, providing substantial assistance to Ukraine and hosting Ukrainian President Volodymyr Zelenskyy at the 2023 G7 summit in Hiroshima. Kishida also improved relations with South Korea, which led to strengthening US-Japan-South Korea trilateral cooperation.

Amid China's assertive economic statecraft, the Kishida administration took a firm stance against economic coercion, coordinating with like-minded countries at the G7 and OECD levels. In his term, with other Indo-Pacific partners, the Indo-Pacific Economic Framework (IPEF) was set up, and Japan's diplomatic reach towards the Global South extended.

Yet a void remains at home. For all Kishida's achievements, there is an unprecedented uncertainty about who will take up the Japanese leadership next. With political factions in the LDP dissolved, the field is unclear. In the worst case, Japan could return to the pre-Abe merry-go-round prime ministership, which saw six leaders across six years, including Abe's first term.

As Japan departs from a long decade of Abe's influence, Kishida's successor – whoever that will be – faces the daunting task of steering the nation through an era of hyper uncertainties. It will be some introduction alongside new UK and US leaders at the next G7 in Canada.

## **Foreign Policy:**

### **Japan's Public Didn't Buy Fumio Kishida's New Capitalism**

As another prime minister steps down, the era of mayfly leadership may be back.

By **Linda Sieg**, a journalist in Tokyo.

August 15, 2024, 1:29 PM [View Comments](#)

When Japanese Prime Minister Fumio Kishida steps down next month, he will leave Japan with a tightened alliance with the United States and warmer ties with South Korea. But his domestic legacy is far shakier, with a worried public angry about his handling of the economy and unanswered questions about how to fund promised spending to bolster the military and revive a flagging birth rate.

When ruling Liberal Democratic Party (LDP) faction leaders, including former premiers, opted three years ago to back Kishida over his more popular rival as their next leader and hence prime minister, they were betting his experience and consensus-building style would outweigh a lackluster public image.

Kishida, now 67, did lead the party to a strong showing in an October 2021 general election and keep his coalition's grip on the Japanese parliament's upper house the

next year. But a spate of party scandals and public dismay over rising prices fueled by a weak yen then sent his support ratings tumbling alongside those of the LDP.

On Wednesday, the mild-mannered former foreign minister admitted that his time had run out. Pressured by party lawmakers worried about their prospects in a lower house election that must be held by the end of October 2025, Kishida announced he would not run in a party leadership election next month. The winner of the vote is assured the premiership by virtue of the LDP-led coalition's grip on parliament.

"In this presidential election, it is necessary to show the people that the LDP is changing and the party is a new LDP," Kishida said at a press conference where he announced his decision.

But Kishida's resignation also marks a return to the rapid churn that characterized Japanese leadership before the era of former Prime Minister Shinzo Abe. Kishida is already Japan's second prime minister since Abe resigned in 2020 after a historic, nearly eight-year term as the country's longest-serving premier. Abe remained influential until he was shot to death while campaigning in July 2022. Kishida's predecessor, Yoshihide Suga, bowed out after just one year in the face of cratering support due to his handling of the COVID-19 pandemic.

The rapid turnover of Japanese premiers followed reforms in the 1990s that boosted the role of the prime minister and party label in elections, making lawmakers more reliant on their leader's popularity. Abe, in his lengthy second term, and his predecessor Junichiro Koizumi (premier from 2001 to 2006) were the exceptions that proved the rule.

Kishida was a core member of Abe's cabinet as foreign minister, but he took office promising to craft a "new capitalism" that would distribute national wealth more equitably and promote growth as an alternative to his former boss's trademark "Abenomics" recipe of fiscal spending, hyper-easy monetary policy, and structural reform.

Critics say Kishida's new capitalism never really took off. "There were changes at the edges, but if you look at it, it was just more fiscal spending and, until recently, appointing someone to the Bank of Japan [governorship] who was committed to keeping rates lower for longer," said Jesper Koll, an economist and global ambassador for Monex Group, an investment advisory firm.

Those policies had implications beyond Japan's shores. Bank of Japan Governor Kazuo Ueda jolted global markets last month when the central bank raised interest rates to a 15-year high and signaled its readiness to hike borrowing costs further on growing prospects that inflation would durably hit its 2 percent target.

Kishida also jawboned companies into the biggest wage hike in three decades—5.1 percent for big corporations—but the raises failed to keep pace with inflation due largely to the weak yen. "There was no feel-good factor because of cost-push inflation," Koll said.

## **How Japan's Yen Carry Trade Crashed Global Markets**

An obscure strategy wreaked short-lived havoc.

## **Analysis**

### **William Sposato**

Even as ordinary Japanese struggled with higher prices, they were treated to a widening scandal in the LDP in which dozens of party lawmakers transferred profits from fundraising events to unreported slush funds. That followed on the heels of public outrage over the party's links to the controversial Unification Church, considered a cult by critics, including Abe's assassin. Both scandals involved largely members of the LDP faction previously headed by Abe, on whose backing Kishida had relied to win a second-round runoff in the party leadership race in 2021.

The LDP—and Kishida himself—came under heavy criticism for failing to take responsibility for the funding scandal; efforts to restore public trust by sanctioning some lawmakers and revising a political funds control law were perceived as falling far short of needed steps.

“Kishida wanted to do more, but the LDP said ‘no, we’ll engineer an empty gesture,’ and the public saw through that,” said Jeff Kingston, director of Asian Studies at Temple University’s Japan campus.

Kishida's efforts to tighten security ties with the United States, mend fences with South Korea—long frayed by feuds over the wartime past—and boost defense spending while loosening limits on arms exports won him plaudits from Washington. In December 2022, Tokyo set a new target for military spending over the next five years: 43 trillion yen, or 1.5 times the then-current level. But details on funding, including future tax hikes, remain vague. The same is true for Kishida's pledge to double spending on childcare by the early 2030s to raise Japan's sinking birth rate.

Public expectations that higher taxes are indeed on the horizon won the bespectacled Kishida the moniker “four-eyed tax-hiker” from critics online last year, even as he promised a one-off income tax cut of 40,000 yen per person. The tax cut took effect in June but did nothing to stem the decline in Kishida's approval rating, which hit 25 percent this month.

After a string of losses in local elections, the writing was on the wall for Kishida. He failed to win backing from party heavyweights, ties with whom had frayed over his handling of the slush fund scandal.

The new party leader will be chosen in a vote by party members next month, on a date yet to be set. But whether LDP popularity with the general public will prevail remains to be seen. The main opposition party still lags behind the LDP and has yet to work out how to cooperate with other opposition groups, potentially reducing pressure on the LDP to pick the most popular leader.

The dissolution, at least in name, of most LDP factions in response to the funding scandal, potentially reducing their role in dispersing campaign funds and key posts, makes predictions especially tough. Factional support has been key to victory in past party leadership polls.



Former Defense Minister Shigeru Ishiba, 67, a frequent critic of the party mainstream who has run for the party presidency four times in the past, tops the list in media surveys of preferred candidates but is less popular with lawmakers. Next is telegenic former Environment Minister Shinjiro Koizumi, 43, often followed by Digital Minister Taro Kono, 61, who lost out to Kishida last time.

Other potential candidates include LDP Secretary-General Toshimitsu Motegi, 68, who ranks low in popularity polls but has experience in several cabinet posts. Among possible female challengers are the hawkish Economic Security Minister Sanae Takaichi, 63, and low-profile Foreign Minister Yoko Kamikawa, 71. Former Economic Security Minister Takayuki Kobayashi, 49, has been floated by lawmakers keen for a fresh face.

Whether a new leader will revive the LDP's tattered fortunes seems likely to depend on who wins, and how, as well as the main opposition party's struggle to convince the public it can govern. "If it's a brokered election and they pick a veteran who thinks they're entitled, a bounce would be short-lived," Koll said, adding that a generational change could boost support and spark a snap election.

Does this change in Japan have a profound effect on the Dollar Yen rate? It is early days yet, but one has to be cognizant of what are the likely economic policies of the next PM. If the new PM sticks to policy of low interest rates, while the US rates still enable many forms of the carry trade, then there is no doubt that just this financial effect alone will bring the Yen back to the lows. The LDP in Japan is unlikely to want to make any changes. I am going to bet on that.

### **A NATO Invasion**

Besides this event in international economics having an impact on the direction of the dollar, there is the on-going war in Ukraine, where for two weeks, the collective west is cheering the Kyiv regime on, for having made a successful incursion into Russia, in the vicinity of the Kursk Oblast. This incursion started at the beginning of August and because this was a very remote sector of the front, mostly unpopulated and devoid of people, the Russians were caught off-guard. So indeed, there was an invasion of Russia by six brigades of the Ukrainian army armed with NATO weapons and trained by NATO.

And they were actually successful in crossing the border. Over the last ten days or so, these brigades, comprising some 11,000 soldiers, including some of the best units of what they have left of their army, occupied up to 1000 sq km of Kursk. That may sound like a lot of ground but Russia is an immense place and this area, if seen on a map, is actually quite miniscule. The largest population center captured by Kyiv's forces, Sudzha, has all of 5000 folks. It is said that the invading force included some NATO mercenaries.

The key question is what is the objective of this incursion. Most military analysts are scratching their heads to figure out what the Ukrainians are trying to do. Already, the

Ukrainians are battered and bruised, and they are close to collapse on the Donbass region, where the Russians are trying to break that army. Some say that the Ukrainians are trying to 1) try to divert Russian resources to protect their own homeland; 2) capture a nuclear power plant some twenty-thirty km outside Kursk city (fifty km across the border), in the hope of trying to exchange this plant, if successful, with what the Russians have earlier captured in the Zaporizhzhya nuclear power plant; and 3) finally, humiliate Putin.

To the extent that the Russians were caught by surprise, the third objective was actually accomplished. Putin was said to be visibly angry with this invasion. Except that the belittling of the Russians has a downside. There will no longer be any chance for a peaceful negotiation that was on offer by Moscow. This cannot be good for the Ukrainians. It will be a fight to the finish in the Special Military Operation, and the finish will see the Ukrainians wiped out.

As it turned out, the objective of trying to divert Russian resources away from Ukraine did not work. Russia seems to have vastly more men and machines than were tied up on the Ukrainian frontlines. They were able to move most of their reserves from inside Russia, including Siberia. So this was a costly mistake for the Kyiv regime. Finally, the objective of trying to capture the Kursk nuclear power plant failed. If they were to succeed, they must have done so by 11 August, and now that they are past that deadline, the attempt to capture the plant has failed. The Ukrainians could not even get close to within 20 km of their objective.

And it has been a very costly invasion by the Kyiv forces. It has been reported that on the first 2 days, out of the 11,000 men sent into Russia, 2700 have been killed. Up to 50 percent of the entire force has become casualties, and if the PR of this effort has been favourable, this is just a Tik-Tok victory. Considering that some of their best equipment were deployed and much of that sustained destruction and damage, it was terribly wasteful.

The treatment by the media of this incursion showed the dichotomy in attitudes towards the protagonists. On the one side, you have the western mainstream media being highly supportive of Kyiv, trumpeting their successes in Kursk even as they lament the disaster on the rest of the battlefields in Donbass, where nobody would disagree that the Ukrainian army is close to collapse. Then on social media, there are continuous reports (videos) that are probably more accurate in the reporting of facts, as they are gleaned from independent but reliable sources of analysts who challenge the mainstream or corporate perspective so that the CNNs or BBCs of the world have been cast as promoting propaganda. My own perspective after following this war for 2.5 years is that the independent media is probably correct.

To give an example of what is being said in both sides, here are two examples of the divide:

***MainStream Media – The NYT:***

***Ukraine's Push Into Russia Met Early Success. Where Does It Go From Here?***

Ukraine's forces could try advancing farther on Russian soil, or return to the front line, where Moscow is making gains. There are arguments for various options.

**By Kim Barker and Constant Méheut**

Reporting from Kyiv, Ukraine

Aug. 16, 2024

The success of Ukraine's secret incursion into Russia is clear. Ukrainian forces pushed past two lines of Russian defenses in the southwestern region of Kursk and moved through Russian highways and villages with little resistance. Since the operation began 11 days ago, they have gone beyond Kursk to the neighboring region of Belgorod (**Kursk is north of the invaded zone, Belgorod is southwest**), putting other communities on edge and rattling Moscow.

The ultimate strategy and goals of the invasion, though, are still murky. Western allies, including the United States and Germany, say they are watching and monitoring the situation but letting Ukraine lead the way. Even the Ukrainian leadership seems surprised by the extent of the operation's initial success, the first time that Russia, a nuclear power, has been invaded since World War II.

So now what?

**Ukraine has several options.**

Ukrainian forces could try to keep pushing further into Russia. They could dig into the territory they now hold and try to defend it. Or, battered by continual losses in eastern Ukraine, especially this week near the strategically important city of Pokrovsk, they could decide that they have made the point to the West, and to Moscow, that Russia is not invincible. In that case, they could then pull back.

"We are playing here a bit on the psychological point that great powers do not lose their territories," said Mykola Bielieskov, a senior analyst from Come Back Alive, a foundation that provides support to members of Ukraine's military. If Russia loses, "it means that they are not that big."

**There are vulnerabilities for both sides.**

Ukrainian officials have told senior United States civilian and military officials that the operation aims to create an operational dilemma for the Russians — to force Moscow to divert troops off the front lines in the eastern Ukraine region of Donetsk, where they have made slow but steady progress for weeks.

John Kirby, the U.S. National Security Council spokesman, said in an interview with MSNBC on Thursday that Russia had begun deploying its forces to Kursk, although he did not specify where they were coming from. He declined to give an assessment of the Ukrainian operation in Kursk, but said the United States was monitoring how Russia is reacting and redeploying its troops.

"In the meantime, we are going to continue to make sure that Ukraine has the weapons and capabilities that it needs to defend itself," Mr. Kirby said. "We are going to continue to talk to Ukrainians."

But the operation has also created a vulnerability for Kyiv. Some of its valuable, battle-hardened soldiers from the 600-mile front line in eastern and southern Ukraine have moved to Kursk. And that has weakened its positions in eastern Ukraine.

By Aug. 9, four days into the Russian incursion, Russian forces had pushed to about 10 miles outside the beleaguered eastern Ukrainian town of Pokrovsk, a critical logistics hub for Ukrainian forces, according to Britain's Defense Ministry. Russian forces have been hitting them along this stretch of the Donetsk region for months.

By Thursday, the situation was even worse. Residents of Pokrovsk, about 40,000 people, were urged to leave — the Russian Army was about eight miles from the city.

The Institute for the Study of War, a Washington-based think tank, said on Thursday that Russian troops had also made gains toward the frontline town of Toretsk, whose capture would ease the way for Russian forces in the Donetsk region of eastern Ukraine.

### **Ukraine, it appears, wants to hold ground.**

So far, the Ukrainians have not talked publicly about their plans in Russian territory. Gen. Oleksandr Syrsky, who took over as Ukraine's top military commander in February, claimed on Thursday that his troops had pushed more than 21 miles into Russia. He said that Ukraine controlled more than 80 Russian settlements in the Kursk region, including Sudzha, a town of 5,000. The claims could not be independently verified, although analysts say that Sudzha is likely under full Ukrainian control.

Fighting has also expanded to the neighboring regions of Belgorod and Bryansk, where Russia has introduced counterterrorism measures.

As Ukrainian soldiers make inroads into Russia, the leadership appears to be making plans to hold ground, analysts say.

Mr. Syrsky said on Thursday that Ukraine had set up its first military office in Kursk. A deputy prime minister talked about creating a humanitarian corridor extending from the Kursk region south to the Ukrainian border region of Sumy. At a Wednesday meeting, President Volodymyr Zelensky said that Ukrainian troops were protecting Russian citizens and following the rules of international law.

### **Ukraine is nimble, but Russia is bigger.**

So far, Ukrainian troops do not seem to be building the kind of entrenched lines seen in eastern Ukraine, where trenches, anti-armored vehicle ditches and anti-tank pyramid obstacles known as dragon's teeth dot the landscape.

Such digging in presents risks, said Serhii Kuzan, the chairman of the Ukrainian Security and Cooperation Center, a nongovernmental research group.

Any fixed position would be exposed to potentially devastating Russian airstrikes and would be difficult to defend against Russian troops attacking from different sides. Russia, after all, has the upper hand in forces and weapons.

Mr. Kuzan said Ukraine should instead continue to execute what he called “highly maneuverable combat operations,” by attacking where Russia does not expect and performing raids with small units to probe and destabilize Russian defenses.

Image

“We cannot fight a symmetrical war — tank against tank, soldier against soldier — because the Russians have greater numbers of forces,” Mr. Kuzan said.

Ukraine has not faced much resistance from Russian forces at this point. Moscow has been slow to mount a major defense and has not yet successfully countered Ukrainian troops in Kursk, analysts say. Russian military bloggers, though, claimed that Ukrainian forces were advancing at a slower tempo on Thursday.

### **The gains in Russia could provide negotiating leverage.**

Analysts say the Ukrainians could also use the territory as a kind of bargaining chip with Russia, if they manage to hold it. Ukrainian officials have told Washington that Kyiv wants leverage for the future, according to U.S. officials, perhaps to swap the Russian territory for land near Kharkiv that Russian forces took in the spring.

Mykhailo Podolyak, a top Ukrainian presidential adviser, said on Friday that Russia would be forced to the negotiating table only through suffering “significant tactical defeats.”

“In the Kursk region, we can clearly see how the military tool is being used objectively to persuade” Russia to enter “a fair negotiation process,” he wrote on social media.

Ukraine also claims to have captured hundreds of Russian prisoners of war, who could be traded for Ukrainian prisoners held by Russia. The Russians guarding the border posts in Kursk were mostly conscripts, forced to serve as part of Russia’s mobilization, as opposed to the battle-hardened contract soldiers and irregular forces fighting in Ukraine’s east and south.

Putting those conscripts at risk poses a political risk for President Vladimir V. Putin of Russia; in Ukraine, Mr. Zelensky has referred to an “exchange fund” that Ukraine has starkly increased.

### **Kyiv may be sending a message.**

The real goals of the operation may not be on the Russia battlefield.

After the failure of Ukraine’s much-advertised counteroffensive last year and the ongoing losses in the east, it appears to be trying to change the war’s narrative.

The Ukrainians may be trying to convince the West that they will not give up, and that the United States in particular should allow them to use American long-range cruise missiles inside Russia.

After all, it has happened before: Over the 30 months of this war, the United States has repeatedly refused to supply Ukraine with certain kinds of weapons or to use those weapons in certain ways, only to then relent.

Over the past week, Mr. Zelensky has raised the issue of striking Russia with Western-supplied long-range missiles at least four times in his nightly video addresses.

“We need appropriate permissions from our partners to use long-range weapons,” he said on Monday. “This is something that can significantly advance the just end of this war.”

**The Alternative Media: Larry Johnson of Sonar 21**

## **CRITICAL UPDATES ON KURSK AND THE WAR IN PALESTINE**

16 August 2024 by Larry Johnson

A very busy day. I did a controlled rant on Daniel Davis Deep Dive and my usual Friday interview with Nima. I want to start with the latest update on what happened at Kursk from my good friend, Pepe Escobar. He has excellent sources in Russia. The following article was published originally at Strategic Culture Foundation.

An extremely serious debate is already raging among selected circles of power/intelligence in Moscow – and the heart of the matter could not be more incandescent.

To cut to the chase: what really happened in Kursk? Was the Russian Ministry of Defense caught napping? Or did they see it coming and profited to set up a deadly trap for Kiev?

Well-informed players willing to share a few nuggets on condition of anonymity all stress the extreme sensitivity of it all. An intel pro though has offered what may be interpreted as a precious clue: “It is rather surprising to see such a concentration of force was unnoticed by satellite and drone surveillance at Kursk, but I would not exaggerate its importance.”

Another intel pro prefers to stress that “the foreign intel section is weak as it was very badly run.” This is a direct reference to the state of affairs after former security overseer Nikolai “Yoda” Patrushev, during Putin’s post-inauguration reshuffle, was transferred from his post as secretary of the Security Council to serve as a special presidential aide.

The sources, cautiously, seem to converge on a very serious possibility: “There seems to have been a breakdown in intel; they do not seem to have noticed the accumulation of troops at the Kursk border”.

Another analyst though has offered a way more specific scenario, according to which a hawkish military faction, spread across the Ministry of Defense and the intel apparatus – and antagonistic to the new Minister of Defense Belousov, an economist – let the Ukrainian invasion proceed with two objectives in mind: set a trap for Kiev’s top enemy commanders and troops, who were diverted from the – collapsing –



Donbass front; and put extra pressure on Putin to finally go for the head of the snake and finish off the war.

This hawkish faction, incidentally, regards Chief of the General Staff Gerasimov as “totally incompetent”, in the words of one intel pro. There’s no smoking gun, but Gerasimov allegedly ignored several warnings about a Ukrainian buildup near the Kursk border.

A retired intel pro is even more controversial. He complains that “traitors of Russia” actually “stripped three regions from troops to surrender them to the Ukrainians.” Now, these “traitors of Russia” will be able “to ‘exchange’ the city of Sudzha for leaving the fake country of Ukraine and promote it as an inevitable solution.”

Incidentally, only this Thursday Belousov started chairing a series of meetings to improve security in the “three regions” – Kursk, Belgorod and Bryansk.

Hawks in the siloviki apparatus don’t make it a secret that Gerasimov should be fired – and replaced by fabled General Sergey “Armageddon” Surovikin. They also enthusiastically support the FSB’s Alexander Bortnikov – who de facto solved the extremely murky Prigozhin affair – as the man now really supervising The Big Picture in Kursk.

### **And the next one is Belgorod**

Well, it’s complicated.

President Putin’s reaction to the Kursk invasion was visible in his body language. He was furious: for the flagrant military/intel failure; for the obvious loss of face; and for the fact that this buries any possibility of rational dialogue about ending the war.

Yet he managed to turn the upset around in no time, by designating Kursk as a counter-terrorist operation (CTO); supervised by the FSB’s Bortnikov; and with an inbuilt “take no prisoners” rationale. Every Ukrainian in Kursk not willing to surrender is a potential target – set for elimination. Now or later, no matter how long it takes.

Bortnikov is the hands-on specialist. Then there’s the Overseer of the whole military/civilian response: Alexey Dyumin, the new secretary of the State Council, who among other previous posts was the deputy head of the special operations division of GRU (military intel). Dyumin does not respond directly to the Ministry of Defense nor the FSB: he is reporting directly to the President.

Translation: Gerasimov now seems to be at best a figurehead in the whole Kursk drama. The men in charge are Bortnikov and Dyumin.

The Kursk P.R. gambit is set to massively fail. Essentially, the Ukrainian forces are moving away from their lines of communication and supplies into Russian territory. A parallel can be made with what happened to Field Marshall von Paulus at Stalingrad when the German Army became overextended.

The Russians are already in the process of cutting off the Ukrainians in Kursk – breaking off their lines of supply. What’s left of the crack soldiers launched into Kursk would have to turn back, facing Russians both at their front and back. Disaster looms.

Irrepressible commander of the Akhmat special forces, Major General Apti Alaudinov, confirmed on Rossiya-1 TV that at least 12,000 Ukrainian Armed Forces (UAF) entered Kursk, including a lot of foreigners (Brits, French, Poles). That will turn out to be a “take no prisoners” on a massive scale.

Anyone with an IQ above room temperature knows Kursk is a NATO operation – conceived with a high degree of probability by an Anglo-American combo supervising the Ukronazi cannon fodder.

Anything Kiev does depends on American ISR (intelligence, surveillance, reconnaissance) and NATO weapons systems of course operated by NATO personnel.

Mikhail Podolyak, adviser to the sweaty green T-shirt actor in Kiev, admitted that Kyiv “discussed” the attack “with Western partners”. The “Western partners” – Washington, London, Berlin – in full cowardly regalia, deny it.

Bortnikov won’t be fooled. He succinctly stated, on the record, that this was a Kyiv terrorist attack supported by the West.

We are now entering the stage of hardcore positioning combat bound to destroy villages and towns. It will be ugly. Russian military analysts remark that if a buffer zone had been preserved way back in March 2022, mid-range artillery activity would have been restricted to Ukrainian territory. Yet another controversial decision by the Russian General Staff.

Russia will eventually solve the Kursk drama – mopping up small Ukrainian groups in a methodically lethal way. Yet very sensitive questions about how it happened – and who let it happen – simply won’t vanish. Heads will have to – figuratively – roll. Because this is just the beginning. The next incursion will be in Belgorod. Get ready for more blood on the tracks.

News broke late today that Ukraine reportedly is going to try to strike the Zaporizhzhya and Kursk nuclear power plants, in hopes of creating a radiological incident and blaming the Russians for it. This is just one more sign of the growing desperation among the leaders in Kyiv and NATO. Throw jello against the wall and hope something sticks.

A Western journalist who works with the AFU has received important information that the Ukrainian command is considering an attempt to launch missile strikes on the Zaporizhzhya and Kursk nuclear power plants in the coming days.

The strikes are planned to hit places where spent nuclear fuel is stored.

The plan is to use warheads with radiological material (‘dirty bombs’.)

The purpose of the strike is to accuse Russia of ‘nuclear provocation’.

The special warheads were brought to the town of Zhovti Vody, Dnipro region, to the Eastern Mining and Processing Plant (on the photo).



If you want proof that things are going badly for Ukraine with its Kursk incursion, you only need to listen to the commentary by the US Defense Department spokeswoman, Ms. Singh. You can see her remarks in the following video. If Ukraine was achieving a smashing victory, then US officials would be giddy with delight and talking endlessly about Ukrainian progress. Here's a clue — they ain't. (I kept the video short; it is less than 25 minutes but packed with substance.) Also, a warning. You will have to listen to some incredibly stupid comments by Lindsey Graham. My apologies for subjecting you to this, but I needed to comment on his bombast and lies.

Nima asked for my assessment of the state of play between Israel and Iran. We devoted most of the time to that topic. US Secretary of State Blinken is enroute to Israel and, reportedly, will also visit Egypt. He is desperate to secure a ceasefire to help Kamala Harris and salvage something of Joe Biden's tattered reputation. While initial reports suggest a possible deal is in the works, I doubt that Hamas will sign on at this point unless the Israelis make concessions that the extreme Zionists will not allow. I fear we are stumbling towards a war of terrible consequences.

While a huge supporter of Russia in this conflict, I do maintain my objectivity. And have watched with some amusement this debacle. It's 5D Russian Chess!! They really sucked the Ukrainians in now!! WOOHOO!!!

Er, no. This is a massive Russian intelligence failure. I don't even think it is internal wrangling. This is just a fuck-up. The grind it out game was working, and everyone went on auto-pilot, surfed porn, and took a nap. And now they have a debacle. Will this further deplete Ukrainian resources? Sure. Will it take fucking forever to even secure this area again? Absolutely.

And as I have repeatedly said, Russia will win. Not this year. My best guess is late 2025. But I would not be surprised if it went on for many years. And when Russia does really start to roll? Then NATO comes in. And Russia will win that incredibly ugly debacle. Assuming our eyes do not all melt out of our faces in the nuclear fire.

On another note, Foreign Minister of Israel Katz said Friday that he expects not only the US but also its allies Britain and France to assist in offensive operations against Iran if it attacks.

There was no comment from those countries, because being good little bitches for the crazy Jews, they will do as they are told. Amazing. The entire Western world dominated by some religious loons that want to torture a red heifer to death, which will bring back Jesus. They never really say for what. To kill again? To apologize? For lunch? Join the How to Torture a Palestinian book club?

As usual, my take at the end, here. If there is an outbreak of war, as analysed by Larry Johnson who is a very popular geopolitical commentator on Youtube (he is a retired CIA analyst), the US Dollar will fly. In particular, we are expecting Iran to launch missiles anytime now into Israel. Should that come to pass, oil prices will fly and Yen will come crashing down. Bet on that.

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*Un-Influencer in a World full of Hubris*

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