

Weekly Commentary 24 – June 2023

Ukraine and NATO have lost, Russia has won.

The Saudis want to join BRICS. The Iranians also want to join BRICS. They were, just a short time ago, mortal enemies. Now, going forward, they want to be partners in an economic grouping not controlled by the US of A.

And France's President, Emmanuel Macron, wants to make a speech at the next BRICS meeting. Does France also want to join BRICS?

Citing sources in the Elysee Palace, French newspaper L'Opinion reported last week that Mr Macron has asked his South African counterpart for an invitation to the upcoming BRICS summit due to be held in Jo'burg in August. China, after the relationship established with France since Macron's visit to Beijing, seems quite keen to see him give that speech, but the Russians are wary. They want to know why Macron wants to be there. The Russian Foreign Ministry asked, "do they want to once again make some contact to show Paris' activity or is it a "Trojan horse" of some sort – let them explain". Trust in international relations, once lost, is obviously not so easily restored.

That is the state of global geopolitics in the world today, and its dystopian impact on the world economy. The G7 obviously has a new competitor in BRICS. Both will likely influence 50 percent of the planet and there is little overlap. The Dollar may lose its pre-eminence in the world as a result, the RMB will become more important and trade flows are changing in real-time before our eyes.

If we look at the basics, the key international trade flows are in energy, food, minerals and manufactured goods. All of these have been turned topsy turvy in the last three years. First there was covid, and then there is the Ukraine war, and finally, an escalation of tensions in the South China Sea. These developments have changed the historical pattern of trade and finance, and we are staring at more unknowns than there are continents in the world.

The continents themselves are being reconfigured. Politically. There was the traditional "center" of the world, which is the collective west ringing the North Atlantic, and then there was the "Middle" East and of course the "Far" East. It was a view of the world which puts western countries at the heart of everything.

But the Ukrainian war has changed all that. The fact that Russia has stood up to western expansionism in Europe has far-reaching geopolitical and economic implications. It has brought Russia and China together, to oppose the same unwanted western attempt at continued global dominance, and this in fact gave impetus to everybody else to break free of America's self-serving rules-based system. Hence there has been a rapid upgrading of BRICS and the Shanghai Cooperation Organization as alternative economic groupings to compete with the G7; and there has also been an integration of Russia and China into a new alliance, at the new center of the world in the Eurasian heartland, sometimes called the "world island". If that is the heart of the new global system, then Europe would become suburban and America will be in the rural sticks. That's why we have this geopolitical and economic reset vigorously promoted by Russia and China, and resisted by the collective west. It could have been unifying, into a sort of One World, and perhaps some see France as being a lone promoter of that vision, but most other folks would see it as a dysfunctional contest.

And that contest is of course reshaping global economics. If BRICS become more than it already is, then the "west", while not becoming irrelevant, will have a pretty short runway to influence the "rest" and bring it under its "rules". And far less room to gain market share, prestige and a path back to its old domineering ways.

This is particularly true in the international energy market. Here is a recent report from the International Energy Agency:

What is the Global Energy Crisis?

Record prices, fuel shortages, rising poverty, slowing economies: the first energy crisis that's truly global

Energy markets began to tighten in 2021 because of a variety of factors, including the extraordinarily rapid economic rebound following the pandemic. But the situation escalated dramatically into a full-blown global energy crisis following Russia's invasion of Ukraine in February 2022. The price of natural gas reached record highs, and as a result so did electricity in some markets. Oil prices hit their highest level since 2008.

Higher energy prices have contributed to painfully high inflation, pushed families into poverty, forced some factories to curtail output or even shut down, and slowed economic growth to the point that some countries are heading towards severe recession. Europe, whose gas supply is uniquely vulnerable because of its historic reliance on Russia, could face gas rationing this winter, while many emerging economies are seeing sharply higher energy import bills and fuel shortages.

While today's energy crisis shares some parallels with the oil shocks of the 1970s, there are important differences. Today's crisis involves all fossil fuels, while the 1970s price shocks were largely limited to oil at a time when the global economy was much more dependent on oil, and less dependent on gas.

The entire world economy is much more interlinked than it was 50 years ago, magnifying the impact. That's why we can refer to this as the first truly global energy crisis.

Some gas-intensive manufacturing plants in Europe have curtailed output because they can't afford to keep operating, while in China some have simply had their power supply cut. In emerging and developing economies, where the share of household budgets spent on energy and food is already large, higher energy bills have increased extreme poverty and set back progress towards achieving universal and affordable energy access. Even in advanced economies, rising prices have impacted vulnerable households and caused significant economic, social and political strains.

Climate policies have been blamed in some quarters for contributing to the recent run-up in energy prices, but there is no evidence. In fact, a greater supply of clean energy sources and technologies would have protected consumers and mitigated some of the upward pressure on fuel prices.

What is causing it?

Disrupted supply chains, bad weather, low investment, and then came Russia's invasion of Ukraine

Energy prices have been rising since 2021 because of the rapid economic recovery, weather conditions in various parts of the world, maintenance work that had been delayed by the pandemic, and earlier decisions by oil and gas companies and exporting countries to reduce investments. Russia began withholding gas supplies to Europe in 2021, months ahead of its invasion of Ukraine. All that led to already tight supplies.

Russia's attack on Ukraine greatly exacerbated the situation. The United States and the EU imposed a series of sanctions on Russia and many European countries declared their intention to phase out Russian gas imports completely. Meanwhile, Russia has increasingly curtailed or even turned off its export pipelines. Russia is by far the world's largest exporter of fossil fuels, and a particularly important supplier to Europe. In 2021, a quarter of all energy consumed in the EU came from Russia.

As Europe sought to replace Russian gas, it bid up prices of US, Australian and Qatari ship-borne liquefied natural gas (LNG), raising prices and diverting supply away from traditional LNG customers in Asia. Because gas frequently sets the price at which electricity is sold, power prices soared as well. Both LNG producers and importers are rushing to build new infrastructure to increase how much LNG can be traded internationally, but these costly projects take years to come online.

Oil prices also initially soared as international trade routes were reconfigured after the United States, many European countries and some of their Asian allies said they would no longer buy Russian oil. Some shippers have declined to carry Russian oil because of sanctions and insurance risk. Many large oil producers were unable to boost supply to meet rising demand – even with the incentive of sky-high prices – because of a lack of investment in recent years. While prices have come down from their peaks, the outlook is uncertain with new rounds of European sanctions on Russia kicking in later this year.

What's being Done about it?

Pandemic hangovers and rising interest rates limit public responses, while some countries turn to coal

Some governments are looking to cushion the blow for customers and businesses, either through direct assistance, or by limiting prices for consumers and then paying energy providers the difference. But with inflation in many countries well above target and budget deficits already large because of emergency spending during the Covid-19 pandemic, the scope for cushioning the impact is more limited than in early 2020. Rising inflation has triggered increases in short-term interest rates in many countries, slowing down economic growth.

Europeans have rushed to increase gas imports from alternative producers such as Algeria, Norway and Azerbaijan. Several countries have resumed or expanded the use of coal for power generation, and some are extending the lives of nuclear plants slated for de-commissioning. EU members have also introduced gas storage obligations, and agreed on voluntary targets to cut gas and electricity demand by 15% this winter through efficiency measures, greater use of renewables, and support for efficiency improvements.

To ensure adequate oil supplies, the IEA and its members responded with the two largest ever releases of emergency oil stocks. With two decisions – on 1 March 2022 and 1 April – the IEA coordinated the release of some 182 million barrels of emergency oil from public stocks or obligated stocks held by industry. Some IEA member countries independently released additional public stocks, resulting in a total of over 240 million barrels being released between March and November 2022.

The IEA has also published action plans to cut oil use with immediate impact, as well as plans for how Europe can reduce its reliance on Russian gas and how common citizens can reduce their energy consumption.

The invasion has sparked a reappraisal of energy policies and priorities, calling into question the viability of decades of infrastructure and investment decisions, and profoundly reorientating international energy trade. Gas had been expected to play a key role in many countries as a lower-emitting "bridge" between dirtier fossil fuels and renewable energies. But today's crisis has called into question natural gas' reliability.

The current crisis could accelerate the rollout of cleaner, sustainable renewable energy such as wind and solar, just as the 1970s oil shocks spurred major advances in energy efficiency, as well as in nuclear, solar and wind power. The crisis has also underscored the importance of investing in robust gas and power network infrastructure to better integrate regional markets. The EU's RePowerEU, presented in May 2022 and the United States' Inflation Reduction Act, passed in August 2022, both contain major initiatives to develop energy efficiency and promote renewable energies.

What has not been said in the above politically correct, actually sterile, report from the IEA, are the significant developments in the other parts of the world in reaction to western sanctions on Russian energy. First of all, it has led to China and Russia building up a partnership that will solve China's energy requirements and Russia's need to export its most important product. This is not just a Chinese-Russian alliance; India is also not adhering to the sanctions and has been importing large amounts of Russian oil for its own needs, and when those demands have been satiated, have reexported excess quantities to Europe. Further, China has been signing very long-term contracts with both the Gulf States as well as with Iran, and it would appear that with all these measures, China has basically found all the supplies necessary to sustain its massive appetite for energy.

On the other hand, the voluntary giving up of cheap Russian energy has led to what the above IEA report euphemistically calls the “reappraisal of energy policies and priorities, calling into question the viability of decades of infrastructure and investment decisions,” and “profoundly reorientating international energy trade.” The more brutal, unkind word to describe this process is “deindustrialization”. And because of this change in energy trade flows, west European industry is being forced to abandon cheap inputs of Russian gas and will be irreparably damaged, sent back to the stone age. European companies, trying to survive, will either have to use American natural gas, sold exploitatively at four times the price prevailing States-side, or they can surreptitiously break their own sanctions on Russian energy by unashamedly buying them via India and China. Of course, at much higher prices, causing a downward spiral in the EU. This also gives India and China more cards in their deck, when it comes to competing in the world economy.

When the geopolitics of the world impact negatively on the global economy, forcing it to reconstitute in ways in which it was not previously configured, order breaks down. The perception of Russia and China closing ranks against a previously dominant collective west, has further reinforced actions by the United States against China, which has upended three decades of WTO and other trade liberalisations. We are witnessing a reversal of free trade, the “flat” world of global supply chains and the abandonment of the economic theory of comparative advantage, which states that it is unambiguously advantageous for each country to just produce what it has an edge in, and then trade it with others who do the same. There would be more output for all to enjoy. If on the other hand, there is no more free trade, certainly not between the two competitive economic blocs, the G7 and the BRICS, that is a sure step towards a lowering of living standards everywhere on the planet. This is America preferring to be top dog rather than being more well-off. It is just insane.

While the collective west pin the causes of the changing world economy on Russian and Chinese aggression, they forget that as political systems gravitate naturally towards their ideal at the “end of history” when liberal democracy dominates, there is a parallel evolution of the economy under capitalism. That capitalistic internationalization of the global economy must end in the eclipse of industrial society in America when owners shift production to cheaper producers in the world. Capitalism will seek out, in its natural pursuit of maximum profits, the lowest cost production. In other words, if American political and economic principles were to reach their natural conclusions, the nirvana of liberal democracy must be accompanied with the hell of economic deindustrialization. If they believe that the end of history will end in liberal democracy, they were not clever enough to expect the concurrent occurrence of capital owners stripping their high-cost factories in America and sending them to Mexico, China and Vietnam, demolishing their own middle class. This failure to recognize the path of progression in capitalism leading to its own version of the “end of history”, has led to the emptying out of the American middle class and a political response of blaming China for it. Geopolitical conflict is created by a serious fallacy in American ideology.

In other words, there is this supremely confident desire in America for liberal democracy to defeat authoritarianism, regarded as the opposing political ideology. But if this were to happen, then the accompanying economic ideology called capitalism must also flourish, and that will inevitably mean that America will lose its industrial base, and its middle class. It is a predicament the thinkers in western society did not expect. And it has led to the current geopolitical and economic conflicts.

The great irony in all of this is that when capitalism is as successful as it has been in America, the one-man, one-vote system has been replaced by a one-dollar, one-vote system, because the capitalists will of course seek to use their money to influence the politicians (who hanker for the power) through vote buying to maintain the flow of profits. As that happens, the perfection of a liberal democratic system has been corrupted by a vile money politics alternative which pushes a military industrial complex to pursue gain through armed aggressiveness. Hence we have endless wars, which in the context of history, are totally meaningless. Unfortunately for the west, the endless wars against peasants in slippers and AK47s in the Middle East may not create a lot of casualties. But it is entirely different when they take on two peer competitors armed to the teeth with nuclear weapons, and exceedingly well armed in conventional weapons as well. Most importantly, as the Ukraine war has so clearly demonstrated, the industrial system in the collective west to make weapons and ammunition is no match even against Russia's. China, with its vastly bigger manufacturing base, is not even in the picture yet.

The misconception about who the collective west can fight successfully against can be said to be behind the geopolitical contests we see today. There is a deep desire to beat Russia and China, since their political systems are the antithesis of the bedrock principles of ideology in America. And whenever these opposing ideologies do something different that is successful and can provide fuel to bolster their defiance of American dominance, there is friction. Russia has been seen to recover from the abject poverty that the country suffered from after the end of the cold war. Over in the east, China exhibits all the signs of actually reaching the end of history in capitalism, having developed the world's largest manufacturing sector, becoming the world's largest economy in PPP terms and winning friends all over the planet through their BRI. That's not how the Americans want their narrative of a superior system to evolve into. Success must be America-centric. Therefore, these competitors can NOT be allowed to continue, can they?

The west then portray the competition as undesirable rivals in the nirvana which liberal democracy and capitalism would bring. They did not understand that other than strong political leadership that does not need to be bought off by a military industrial complex, China and Russia follow the same economic rules for just thirty years and got there by being even more capitalist than the most ardent proponents of capitalism. Their economic vitality now threaten the hegemon.

So we have the provocative actions in the NATO expansion to include Ukraine, the deliberate deception contained in the Minsk 1 and 2 Accords, and the introduction of missiles and armed troops into Poland. That was calculated to spur Russia into a war against Ukraine. The west totally expected to win in a month, and they denounced Russia for actually firing the first shot, ignoring the earlier shots fired by a Kyiv government seeking to destroy their own citizens of Russian descent over the previous 8 years. As the war proceeded, they continued to demonise the Russians, created a sanctions war, and also pursued a massive disinformation campaign in the global English speaking world that Russia is evil incarnate.

For the other “authoritarian” regime in Beijing, the Americans launched the Taiwan ploy, destabilizing what has been a relatively peaceful relationship between China and Taiwan, into a new frenzy of war fears, when it ignored its own One China policy and supported what is a de facto secessionist political party in Taipei.

That’s where the world stands today. On a precipice of a nuclear war that will not be fought by an America fearing its own vaporization, but pressured by domestic politics to demonstrate strength in a Biden leadership that has been castrated domestically on economic issues, but still without opposition in its efforts to stir up shit everywhere else in the world in these pursuits of “end of history” ideologies, and the armed efforts to make America “great again”.

But is the rest of the world following American leadership, disregarding the competitors in the opposing bloc?

Here is an opinion piece in Bloomberg by Stanford historian, Niall Ferguson to discuss the same subject (highlights in red are mine):

America Still Leads the World, But Its Allies Are Uneasy

In the global struggle between the Eurasian “Heartland” and the US-led “Rimland,” there's trouble ahead.

By
Niall Ferguson
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Niall Ferguson is a Bloomberg Opinion columnist. He is the Milbank Family Senior Fellow at the Hoover Institution at Stanford University and the author, most recently, of “Doom: The Politics of Catastrophe.” He is the founder of Greenmantle, an advisory firm, FourWinds Research, Hunting Tower, a venture capital partnership, and the filmmaker Chimerica Media.

On recent visits to Lisbon and Paris, I heard much discussion of American leadership. I was reminded of what Mahatma Gandhi supposedly said when he was asked for his view of Western civilization — that it would be a very good idea. I feel the same way about American leadership: It would be a very good idea.

It's a view that seems to be quite widely shared within the European elite, though few of the continent's leaders dare to say so out loud.

An essential ingredient of leadership is an inspiring destination. Where exactly is it that the US would like its allies to follow? A good answer to that question can be found in the National Intelligence Council's Global Trends 2040 report, which envisions five scenarios for 17 years hence.

The desired one is obviously "Renaissance of Democracies," in which the US leads a resurgence of what used to be called the free world. But it is worth reviewing the other four destinations — the ones to be avoided:

- 1. In "A World Adrift," China is the leading but not globally dominant state.*
- 2. In "Competitive Coexistence," the US and China prosper and compete for leadership in a bifurcated world.*
- 3. "Separate Silos" portrays a world in which globalization has broken down, and economic and security blocs emerge to protect states from mounting threats.*
- 4. "Tragedy and Mobilization" is a story of bottom-up, revolutionary change on the heels of devastating global environmental crises.*

The striking thing to me is that, just two years after the document was published, we are already in Scenario 3:

The US-China rivalry and other state-to-state relations are channeled into competition for markets, resources, and brand reputation ... Strengthened economic interdependence lowers the risk of the major powers pursuing armed conflict; most of them engage in influence operations, corporate espionage, and cyberattacks that allow them to achieve goals without risking destructive wars.

The central security challenge is how to keep the geopolitical competition between the United States and China from undermining the economic cooperation upon which their prosperity and the global economy depends.

Long-term stability remains at risk from growing climate challenges that were ignored in favor of near-term economic gains; technological innovations and economic prosperity have lulled leaders into believing that they can put off making hard choices on climate change.

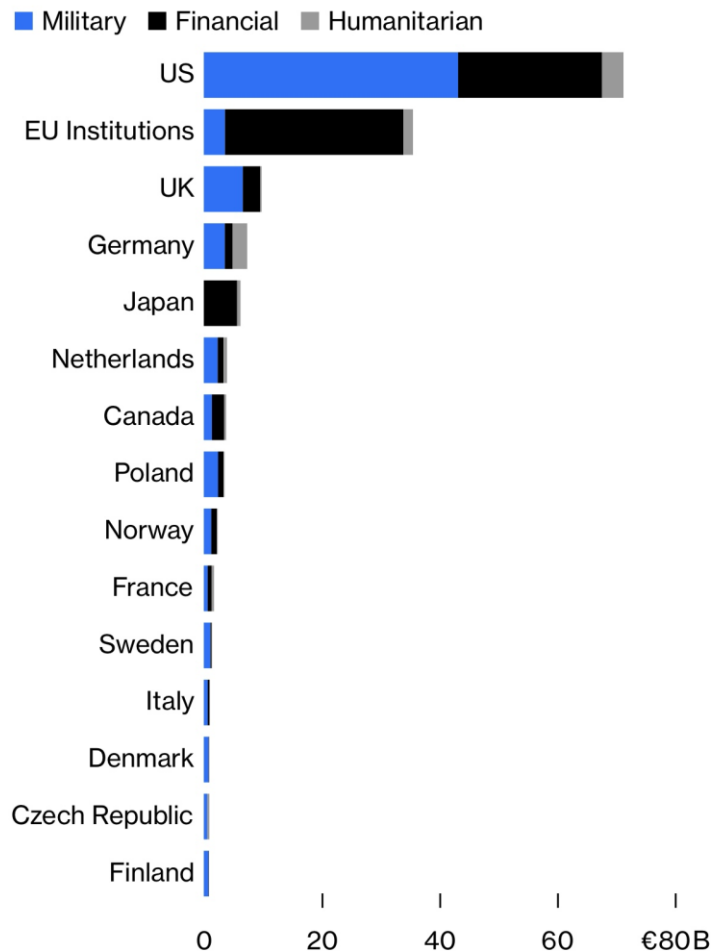
Many Europeans have the unpleasant feeling of being caught between two superpowers in a new cold war. They know China is partly to blame for this. But they see the US as equally culpable.

Superficially, of course, the US-led transatlantic alliance is doing much better than might have been expected in its response to the Russian invasion of Ukraine last year. The problem is what might be called "the power law — geopolitical edition," meaning that the contributions of the 38 countries supporting Ukraine's war effort are not normally distributed but follow a power law. Put crudely, there is one very large contributor and a lot of very small ones. The very large contributor is of course the US.

According to the most recent data on bilateral commitments from the *Ukraine Support Tracker*, US commitments of all kinds to Ukraine (financial, humanitarian and military) are seven times greater than those of the next-largest nation state, the UK. They are 15% above the total commitments of all EU members and institutions combined. And US commitments are 45% greater than those of all the other 39 nation states combined. In other words, the US really does lead not only NATO, but also the larger, informal coalition of pro-Ukrainian states.

The US Carries the Load as Usual

Top 15 commitments of aid to Ukraine



Source: Ukraine Support Tracker
 Note: Excludes 24 governments that have committed less than €900 million each in combined financial, military and humanitarian aid.

*The reason this is a problem — as opposed to an inherent feature of US leadership — is that it makes any American-led effort abroad heavily reliant on the support of US voters. And they are fickle, especially when they feel that Uncle Sam is being taken in by a bunch of free riders. Nearly 60 years after the publication of Henry Kissinger’s *The Troubled Partnership*, the trouble remains that the American partners pay a disproportionate share of the cost of defending of Europe.*

Right now, 15 months into the war in Ukraine, the American public is still on board. According to a recent *Harvard Harris* poll, only 23% think President Joe Biden’s administration has done “too much” to counter Russia in Ukraine. Only 15% of Americans think the Biden administration has been

“too strong” in its China policy. But history tells us that *such shares can grow rapidly, especially if economic times get tougher and as a presidential election draws near.*

This brings us to the question of US economic leadership. So long as the American economy is doing better than those of its allies and rivals, Washington can afford to lead in the way we currently see in Ukraine. Superficially, once again, things look good. The Economist, for example, believes the US is “riding high” and “peak China” is approaching.

But on closer inspection the picture is less rosy. For one thing, as the political class reminded us with their recent game of chicken over the debt ceiling, *American public finances are on an unsustainable path.* The federal deficit is projected to be above 5% of GDP for the next 10 years, hitting 7.3% in 2033. And the trajectory will probably be even worse than the Congressional Budget Office projects, as it has consistently underestimated the growth of the debt to GDP ratio throughout the past 20 years. *Debt service is expected to exceed defense spending in 2029. I suspect it will be sooner than that. The history of previous empires that spent more on interest payments than on national security is not encouraging.*

Americans are also still paying the higher prices of a grave monetary policy error by the Federal Reserve, which slept through the revival of inflation during 2021 and the early months of 2022. Inflation is now coming down, to be sure, but not to the Federal Reserve’s goal of 2%. The fact that a headline annual rate of 4% and a core rate of 5.3% were thought good enough to justify a pause — rebranded as a “skip” — in the hiking cycle last week speaks for itself. *The Fed’s credibility of the 2% average inflation target is in tatters.*

No economist can fully explain why 525 basis points of monetary tightening since the beginning of last year have not had a bigger impact. The strength of the labor market and the resilience of the consumer are astonishing. There were 10.1 million job openings in April, up from 9.7 million in March, far exceeding the 5.7 million unemployed Americans that month. Average hourly earnings grew by 4.3% in May compared with year earlier.

A part of the explanation is the Biden administration’s ongoing stimulus of the economy, now also rebranded as “industrial strategy.” In the words of the financier and commentator Steve Rattner, “America is undergoing a factory construction boom,” with real construction spending in manufacturing hitting \$190 billion in May. This is part of what you get from around \$1.2 trillion in infrastructure-related subsidies, about the same amount in green subsidies, and \$39 billion in subsidies for semiconductor production.

With inflation falling and the economy nevertheless booming thanks to the kind of big-government policies Democrats last believed in when Biden was a freshman senator, you might expect the public to be ecstatic. But no good deed goes unpunished in this thankless vale of tears: Gallup’s Economic Confidence index is currently at its lowest level since February 2009. True, with a 42% approval rating, Joe Biden is doing better than Jimmy Carter at the same stage of his one and only presidential term (in May 1979, Carter was at 28%, according to Gallup). But Biden is faring worse than Gerald Ford and George H.W. Bush, two other presidents who failed to secure reelection.

Does the US have a leadership strategy? In a column last month, I discussed National Security Adviser Jake Sullivan’s speech at the Brookings Institution, where he set out the administration’s five-step “foreign policy for the middle class.” A key part of that speech explained why the new US industrial strategy poses no threat to American allies, because they are being encouraged to follow the American example. He also implied that the same was true of confining America’s technological lead over China in “a small yard [with a] high fence.”

Officially, the US and the European Union are on the same page when it comes to “de-risking” their economic relationship with China. But privately, Europeans have their doubts. First, they see the Inflation Reduction Act as “America First — Biden edition.” Second, they know that Sullivan’s high

fence keeps them out of the artificial intelligence race (except maybe as regulators). Third, they worry about the unintended consequences of what amounts to a US policy of technological containment of China.

No one I spoke to in Europe expected much to come of Washington's current efforts to "thaw" the new cold war with China (as Biden put it at the G7 meeting in Hiroshima, Japan, last month).

Sure, Sullivan recently met Wang Yi, China's top foreign policy official, in Vienna. Sure, CIA boss William Burns made a secret trip to Beijing to meet with his counterparts in Chinese intelligence. And sure, Secretary of State Antony Blinken has meetings in Beijing this weekend — though at the time of writing it's still not clear with whom.

But Chinese Defense Minister Li Shangfu pointedly refused to hold talks with his US opposite number, Lloyd Austin, at the Shangri-La Dialogue in Singapore two weeks ago. In his speech at the event, Austin warned that a conflict over Taiwan would be "devastating ... affect[ing] the global economy in ways that we cannot imagine" and reiterated calls for greater communication between the two superpowers' militaries.

But Li — who is still under US sanctions imposed in 2018 — was not interested. His Shangri-La speech was shockingly combative in its criticism of the US ("some country") for having "willfully interfered in other countries' internal affairs and matters ... and frequently resorted to unilateral sanctions." Money quote: "When friends visit us, we welcome them with fine wine. When jackals or wolves come, we will face them with shotguns." Some thaw.

The only logical conclusion is for US businesses to get out of China — not just to de-risk but to decouple. There is no other way to interpret the venture-capital giant Sequoia's announcement last week that it is splitting itself into three separate entities: Sequoia in the US, HongShan in China, and Peak XV Partners in India. When rival VC firm Andreessen Horowitz declares that it will prioritize investing in "American dynamism" and acting in the "national interest," you see where things are going.

The problem for America's European and Asian allies is that de-coupling from China is very hard to do. Just think, as I pointed out two weeks ago, of the huge investments European car makers have made in Chinese electric vehicle factories.

A good question to ask about American leadership is: Who's not following? A map of the 38-country pro-Ukraine coalition of the more-or-less-willing looks familiar: It's essentially North America, Western Europe, Japan and the Antipodes. *In the language of geopolitics developed in the last century by Halford J. Mackinder and Nicholas J. Spykman, this is the "Rimland" — as opposed to the vast Eurasian "Heartland" that stretches from the blood-soaked and waterlogged battlefields of the Dnipro to the now dull and despondent streets of Hong Kong; from the prison colonies east of Moscow to the labor camps of Xinjiang, by way of the gallows of Tehran. (My Bloomberg Opinion colleague Hal Brands presciently saw the new relevance of Mackinder two years ago.)*

The 2002 "axis of evil" — Iran, Iraq and North Korea — was a speech-writer's fiction. The 2023 "axis of ill will" — China, Russia, Iran — is a reality. Jimmy Carter's national security adviser, Zbigniew Brzezinski, wasn't Kissinger, but he was still pretty good. In *The Grand Chessboard* (1997), he warned us:

Potentially, the most dangerous scenario would be a grand coalition of China, Russia, and perhaps Iran, an "antihegemonic" coalition united not by ideology but by complementary grievances. It would be reminiscent in scale and scope of the challenge once posed by the Sino-Soviet bloc, though this time China would likely be the leader and Russia the follower. Averting this contingency, however

remote it may be, will require a display of US geostrategic skill on the western, eastern, and southern perimeters of Eurasia simultaneously.

To many states around the world, *that skill seems conspicuous by its absence*. More and more of them are therefore reluctant to follow the American leader. Jared Cohen — formerly at Google, now at Goldman Sachs — has just published a brilliant essay on “The Rise of Geopolitical Swing State” (my version, presented at the Milken Institute conference last month, was the “polyamorous cold war”), which identifies four distinct categories:

1. Countries with a competitive advantage in a critical aspect of global supply chains, e.g., India, Brazil, Morocco, Indonesia, Chile, Guyana.
2. Countries uniquely suited for nearshoring, offshoring or friendshoring, e.g., Vietnam, Mexico, Canada.
3. Countries with a disproportionate amount of capital and willingness to deploy it around the world e.g., the Gulf states, Norway, Singapore.
4. Countries with developed economies and leaders with global visions that they pursue within certain constraints e.g., Germany, France, South Korea.

In the Cold War, countries such as India and Yugoslavia proclaimed themselves non-aligned, owing loyalty to neither the US nor the USSR. Today’s swing states, Cohen argues, “will often choose multi-alignment, a strategy that will make them critical — and sometimes unpredictable — forces.”

I tried these ideas out in Paris in conversations that included two of President Emmanuel Macron’s advisers. *Supposing there was a war between the US and China over Taiwan, I asked, on whom could Washington rely? “Japan, the UK, Australia. Maybe Canada. That’s it,”* was one of the replies.

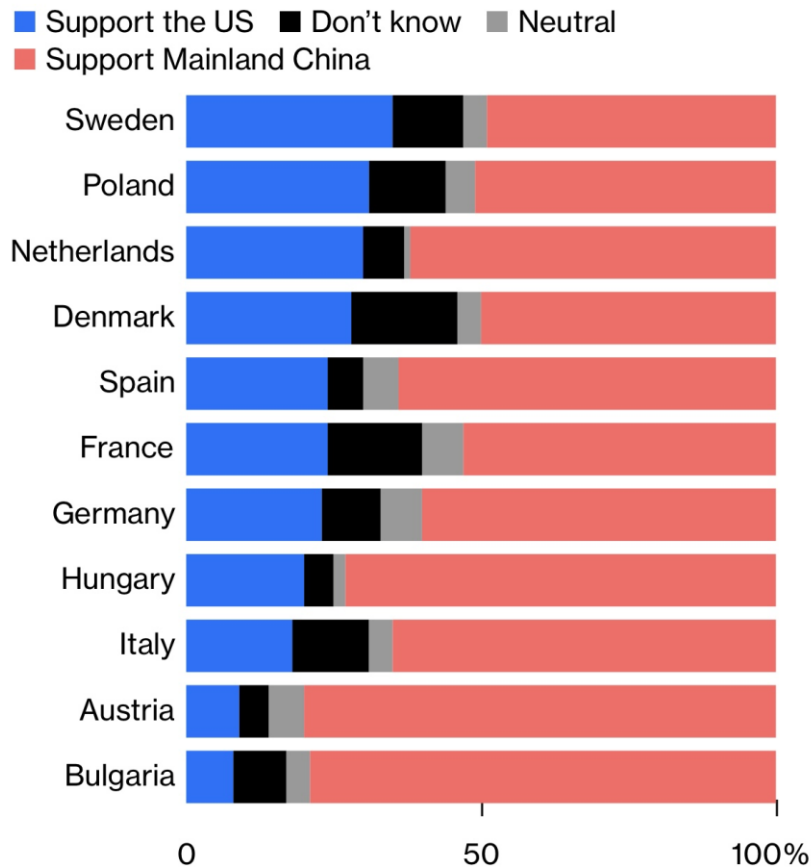
I was even more startled by the *pessimism about Ukraine*. “If Trump wins in November next year,” I ventured, “then Zelenskiy is screwed.” “He is screwed whatever happens,” another of my interlocutors replied. “Ukraine cannot get back the Black Sea coast that it has lost” — the so-called land bridge to Crimea. “So the war is effectively over and Putin has won.”

Such conversations reveal a Europe torn between the familiar security of the transatlantic alliance and economic self-interest that barely overlaps with that of the US. And if you think Paris is wobbly, I invite you to visit Berlin. There you will quickly see that Germany — now in recession and with the far-right *Alternative für Deutschland* polling at a record 20% in the latest YouGov survey — is losing its nerve not only about the war in Ukraine but also about the green-energy transition.

Other recent polls are revealing. An ECFR survey on foreign policy asked European voters how their country should respond to a potential US-China war over Taiwan. Some 60% of Germans favored neutrality; just 23% would want Germany to support the US. And if China started openly delivering ammunition and weapons to Russia? Only 37% of Germans would support imposing sanctions on China.

Fair-Weather Allies?

Europeans' views on how to respond to a potential conflict between the US and Mainland China over Taiwan



Source: European Council on Foreign Relations
Note: Online survey conducted from April 4–20 in 11 EU countries with total of 16,168 respondents from nationally representative samples.

As for climate change, it's a clear case of the St. Augustine principle: "Give me chastity and continence — but not yet." Around three quarters of Europeans want their governments to plant more trees or to pay them subsidies to make their homes more energy efficient, according to a new YouGov poll of seven EU countries. But only around 20% of Germans are themselves willing to switch to an electric car or would support a ban on sale of petrol or diesel cars.

*US leadership would indeed be a good idea. A trip to Europe undermines your faith in it. **It is partly, of course, the diminishing credibility of Reagan's "shining city on a hill" as a role model — understandable when a former president may have to win reelection next year to avoid going to jail.***

*But there is something more profound at work. The US today is the undisputed leader of Spykman's Rimland against the Heartland, much as it was in the 1950s. **But the Rim is somehow thinner than it was back then. And today it shows the first worrisome signs of cracking.***

None of the revelations by Prof Ferguson is a surprise to me. I would even say that I agree with all his views in this assessment of the state of geopolitics, as well as the survey data that support them. As a matter of fact, in my own reading of news in non-mainstream media and non-English sources, there is now a conventional wisdom. It contradicts the one view in the American dominated world which portrays China as the foe, and Russia as the aggressor, with the alternative view that China is not going to invade Taiwan and Russia's security concerns are valid. The fact that 85% of the world are not in support of the collective west's economic actions against Russia, and many European nations, especially France and Germany, are not prepared to disengage from China speaks volumes about the confused state of the geopolitical world and the attendant global economy.

On Blinken's China visit, it is my humble opinion that this is a show for the domestic audience in the US. Nobody in Beijing invited the man, and there is no fanfare about it. The Chinese regard American diplomacy as duplicitous representations which will not be followed through with concrete actions after the promises have been made. Note how Xi Jinping called Bill Gates an "old friend" in the latter's recent visit and that Americans and Chinese can be good friends. The avoidance of saying the same to Blinken will tell us exactly what Xi thinks of the secretary of state and the duplicity he represents. I expect nothing to emerge from this visit when even as of the time he lands in Beijing, we are all still wondering, who the hell is he meeting there? It seems that it will only be Qin Gang, the Foreign Minister. No Wang Yi? Nor Xi Jinping?

As for the other geopolitical exercise in Europe, I have already stated what Prof Ferguson said, Ukraine has lost the war and Russia has won it. You don't believe that?

Here is an Ukrainian military expert assessing the conduct of the counter-offensive so far:

Ukrainian military expert says advance against Russian forces is too sluggish, urges decisive action

The New Voice of Ukraine

Sat, June 17, 2023 at 4:15 PM GMT+8·3 min read

The current military operations conducted by the Ukrainian Armed Forces are deemed necessary "due to the coercion by the Russian Federation and its Armed Forces," said Yakubets.

"Where we advance by one or one-and-a-half kilometers, those are indeed successes. However, when we progress by 100-300 meters, it essentially amounts to a standstill."

Yakubets said that covering a distance of 100 to 300 meters entails "crossing or overcoming half of the neutral zone," which, according to him, extends from 300 to 500 meters in certain directions.

“Strategically, I am deeply concerned about this issue because if we persist in advancing at the current pace, we will inadvertently be playing into the hands of the Russian Federation, which will have detrimental consequences for us,” the expert said.

He pointed out that sluggish progress results in increased casualties, and the cost of gaining every next hundred meters or kilometer becomes steeper.

“Therefore, it is imperative for our military and political leadership to carefully consider these issues, assess the advantages and disadvantages, and muster the courage to take decisive actions,” Yakubets said.

*The military expert also said that the Russians, by compelling the Ukrainians to advance slowly, have successfully “moved forward with their plans. And now **they are also advancing in certain directions.**”*

“In such a tandem, it will take us decades to liberate our territories,” he said.

A resolute deployment of units, formations, and subdivisions of the Ukrainian Armed Forces is imperative to achieve the operational objective of “attaining a boundary depth ranging from eight to 100 kilometers behind enemy lines.”

“This resoluteness would disrupt the enemy’s entire defense system, including their operational-strategic defense, setting it into motion. As it starts moving, the enemy’s resistance diminishes, since they abandon prepared positions, fire zones, adjust artillery placements, and alter logistical routes... It is precisely during this moment that the progress of our troops becomes most effective.”

He also said that advancing by 1,200 meters signifies the capture of a strongpoint at the platoon level within the first echelon.

“In other words, we have successfully breached the enemy’s first echelon, specifically the company of the first battalion. We haven’t reached the second echelon yet.”

“However, when we break through the battalions of the second echelon within a brigade, we dismantle and annihilate the brigade, propelling us into the operational-tactical depth. This progress takes us not only into the operational depth, but even further into the tactical depth.”

The Ukrainian military’s General Staff announced on June 16 that Ukrainian units have successfully conducted offensive operations in the following areas:

- *Novodanilivka-Robotyne (towards Tokmak, Zaporizhzhya Oblast)*
- *Levadne-Staromayorske (on the border of Zaporizhzhya and Donetsk Oblasts)*
- *East of the settlement of Stupochky in Donetsk Oblast, displacing Russians from their occupied positions*
- *In the Vuhledar area, the Ukrainian Armed Forces achieved success in certain areas.*

Deputy Minister of Defense Hanna Malyar stated that over the past week-and-a-half, Ukrainian forces have advanced more than three kilometers in the eastern direction.

She also reported that during the first week of the Ukrainian counteroffensive, Ukraine’s losses were significantly lower than those of the Russian forces.

President Volodymyr Zelenskyy has stated that Ukraine’s ongoing successful counter-offensive on the front lines may ultimately lead to a decisive defeat for Russia.

If this account of uninspiring Ukrainian actions on the battlefield, minus the propaganda in the last two sentences in red, is representative of hype, then probably it is already an overly optimistic assessment of “success”. Contrast this with President Putin’s speech at the St Petersburg’s International Economic Forum, as reported by RT:

16 Jun, 2023 21:29

Highlights from Putin’s policy speech at SPIEF

The West will ultimately want to discuss the security guarantees it had once rejected, the Russian president has said

Russian President Vladimir Putin made an appearance at the St. Petersburg International Economic Forum (SPIEF) on Friday, delivering a lengthy speech and taking part in a Q&A session. Aside from economic topics, the president made multiple statements on international policy affairs, which primarily revolved around the ongoing conflict with Ukraine and a broader standoff against the collective West.

Ukrainian counteroffensive yielding heavy losses – and no gains

Russia’s president provided an update on the ongoing long-heralded Ukrainian counteroffensive, which began tentatively in early June. To date, Kiev’s forces have lost some 186 tanks and 418 armored vehicles of other types, according to Putin.

“Their losses are very heavy – about more than one in ten compared to the Russian army. That is a fact. In terms of hardware, the loss of this equipment is growing every day,” he said, adding that Kiev has thus far failed to achieve its goals, wasting its strategic reserves in the push against Russia’s forces.

Western military aid will not help Ukraine

The intensified military action has caused a rapid depletion of Ukraine’s own war materiel stockpile, Putin said, predicting that the country’s armed forces are set to become entirely dependent on foreign aid in the nearest future. “Well, you won’t be able to wage war for long like that. Our defense industry, however, is growing day by day,” he said. Any weaponry Kiev receives from the collective West will end up destroyed, Putin warned. “Tanks are burning. Among them are the Leopards. They burn. So will the F-16s. There is no doubt,” the president stated, referring to the potential deliveries of advanced US-made aircraft long-sought by Kiev.

NATO involvement in the conflict is deepening

The potential delivery of F-16 fighter jets would get the US-led NATO bloc even more deeply involved into the conflict, Putin said. Moreover, the aircraft may end up stationed abroad, while only operating in Ukraine’s airspace during combat sorties.

In such an event, “we will need to look at how and where we can hit those assets used in combat operations against us,” Putin said. “This is a serious danger of further dragging NATO into this armed conflict.”

West will want to talk to Russia on security guarantees

Moscow has never refused to engage in dialogue with the collective West, coming up with a comprehensive security deal proposal shortly before the ongoing hostilities started, Putin said. The West, however, rejected the dialogue – but it will ultimately be forced to abandon its confrontational stance.

“Regarding whether it is needed to conduct a dialogue with them or not, I repeat once again, we did not reject this dialogue,” Putin said. “It was them who decided to sever this dialogue with us. Well, they don’t want to talk... whatever. They will.”

Russian stance on nuclear weapons use explained

Russia’s president also cautioned against normalizing talk of nuclear weapons use, warning that “the very fact of discussing this topic already lowers the threshold for their use.” At the same time, Putin rejected the idea of engaging in any nuclear disarmament talks with the West.

“We possess more weaponry of such sort than the NATO countries. They know that and are always trying to persuade us to start negotiations on reduction.

‘Nuts’ to them, you know, as our people say,” he said.

Take the above RT article as Russian propaganda for what it’s worth. The truth will soon be known, as there are too many satellites and drones circulating over the battlefield for any lies to persist for long. But if this account is anywhere close to the truth, there is peace on the horizon, as the losing side cannot sustain losses forever. I am going to stick my neck out and predict that the war is almost over, with Ukraine and NATO losing it.

Predictably, there are people who sympathize with Ukraine and push the view that they have agency. That they deserve to be independent. My view on that is straightforward. Zelensky and previous Kiev governments have had all the opportunity in the world to make peace. They signed peace treaties TWICE in the form of the Minsk Accords, in 2014 and 2015, ratified at the UN, to be at peace with their neighbour. But they unilaterally reneged on those. And it has just been revealed that Ukraine AGAIN tore up a peace treaty unilaterally that was signed with Russia during the Turkey-brokered talks in Istanbul, March 2022. That’s a damned THREE times. Obviously, it is not peace they wanted. They just want to beat Russia, thinking they have the support of NATO. They wilfully surrendered the peace several times, and chose to go to war. Their defeat now is nothing more than a natural

outcome of their own decisions and duplicity. Agency? They can no longer make a claim on that. And they have nobody else to blame.

Zelensky himself bears full responsibility for bringing his country where it is. He was voted into the presidency on the promise of making peace in the Donbass. Has he succeeded or has he even tried? Is it incompetence on the job or is it negligence? He certainly has no claim to agency. He is just a fool and a liar propped up on a pedestal.

But don't worry, the Americans, in having used the Ukrainians and the puppets in Kyiv to suppress Russia, have also seen their own failure at arms in the ongoing war. Russia is not just beating Kyiv, but the whole of NATO as well. For crying out loud, the Americans – the masterful practitioner of combined arms – sent their proxy army into combat without any air cover!! Can anyone believe that? Just as I am writing this, I saw a video of a Leopard 2 tank charging full speed into a burning Ukrainian vehicle and burst into flames itself. Trained by NATO? WTF? And when you have America's top soldier, General Mark Milley, giving mumbo-jumbo comments that Russian soldiers are demoralized, don't know why they are there, while Ukrainians soldiers have great morale, in the face of the counteroffensive capturing only a few emptied-out villages, at the cost of 500 western armored vehicles and thousands of lives in 14 days, you know that it is white washing. Hey, man, your proxy army has not even reached the first Russian line of defence and there are five of these lines... they are being blown to bits just trying to cross no-man's land...

The rest of NATO were also suitably cheerless on the failure of the Ukrainian army to push out the Russians, from even the "gray zone". It is not something that they expected. The most virulent of western media, the UK's Guardian, which used to denigrate the Russian army and expected them to run away at the sight of Leopard tanks and other such "wonder weapons" are now beginning to acknowledge the destruction of western hardware and the lack of progress on the front. One by one, western media headlines are beginning to ask questions. Germans in particular are circumspect about the fact that their weaponry is burning on the Ukrainian steppe. This had parallels in those tanks with similar feline names (Tiger, Panther) and the same problems of being over-engineered, overweight and overrated in a previous war. It is not good that this history is repeating itself.

But Germany and France should have nothing to complain about. The two of them brought this on themselves. They were complicit in the reneging of the two Minsk Accords. Both Merkel and Hollande admitted just last year that they had no intention to abide with the treaties, and just wanted to buy time for Ukraine to build up its forces to fight Russia. Now that the outcome of fighting is becoming clear, there is nobody else to blame. History will again record that all these countries aligned against Russia had deliberately chosen the path to war, and despatched weapons from the west to the east.

The war has now been lost. Unless the west put boots on the ground, which will be murderously profligate of them, or to use nuclear weapons first, which they are too terrified to do, the west will have to call a stop to this senseless war soon enough.

Let's see when they will throw Zelensky, the incompetent and narcissistic puppet, under the bus...

By:

Yeong, Wai-Cheong, CFA

Fintech Entrepreneur, Money Manager and Blogger

Un-Influencer in a World full of Hubris