

Weekly Commentary 29 – July 2023

The Food and Energy Price Crises – will these end soon?

The central banks of the collective west have been focused on fighting an inflation that arose from mostly domestic factors, in particular, a very loose monetary policy that was really a misconceived socialist policy led by a Democratic government in the US. There were other factors. The war against Russia was another major contributor to rising prices, because of higher energy and food prices.

Central banks can only act against domestic economic factors. They can reverse quantitative easing and raise interest rates to reduce economic activity but monetary policy has no effect on geopolitical factors that impinge on inflation. This is why since last week, I have been saying that inflation is not over even as the Fed, among other central banks, is looking at domestic economic data to decide when to end its rate hikes. I mean, is war with Russia over yet?

If you are watching the international political situation, you would sense that things have taken a dive, over the last week. Two key components of the inflation indices, food and energy prices, have soared last week. The price of wheat, a western staple, has jumped when Russia pulled out of the Ukrainian grain deal, and so has the price of oil.

What happened? In this commentary, let's take a deep dive as to what transpired in Ukraine and whether there will be mitigating factors in the coming days to douse these flames that may spell a quick end to falling prices.

In the case of the grain deal, every news outlet in the world has given it intense coverage. Here is one which I have found to provide some details, even though it is an American publication, Vox, that has its usual anti-Russia biases:

[How bad will things get now that Russia has quit its grain deal with Ukraine?](#)

[Russia quit a deal made to avert a global food crisis and has now launched strikes against the key port city of Odesa.](#)

By Jen Kirby Jul 20, 2023

Russia has suspended participation in a deal that let Ukraine ship its grain through its ports on the Black Sea, upending a pact that mitigated a global food crisis. Russia's exit could again threaten food prices, and food insecurity, worldwide.

Since withdrawing on Monday, Russia has launched strikes against Odesa, one of three critical Black Sea ports that exported Ukrainian grain and other agricultural products under the Black Sea Grain Initiative. On Wednesday, the Russian Ministry of Defense said it would consider any ship bound for Ukraine to potentially be carrying military cargo, suggesting commercial ships could be deemed targets.

The White House said Wednesday it has information indicating that Russia has laid additional sea mines in the approaches toward Ukrainian ports. "We believe that this is rather a coordinated effort to justify any attacks against civilian ships in the Black Sea, and then blame them on Ukraine in what we would consider — and have in the past talked about considering — a false flag operation," White House National Security Council spokesperson John Kirby told reporters Thursday.

This apparent escalation from Russia is another blow to the grain deal brokered less than a year ago by Turkey and the United Nations. Russia had already been substantially obstructing the deal, but quitting it officially will make it even more challenging to export Ukrainian grain. That could destabilize global food prices and jeopardize the most food-insecure countries and populations, which often rely on agricultural exports. Russia's decision to quit the deal, United Nations Secretary-General António Guterres said, "will strike a blow to people in need everywhere." On Wednesday, wheat prices surged to some of the highest levels since the invasion in February 2022.

Indeed, this deal existed to help avert a greater global crisis in food security, of which Russia's war in Ukraine is just one part. Eliminating Ukrainian supplies may tighten agricultural markets and potentially put more pressure on places experiencing hunger emergencies. The World Food Programme (WFP) estimates about 345 million people face high levels of food insecurity in 2023, with about 129,000 people potentially confronting famine in places like Burkina Faso, Mali, Somalia, and South Sudan.

The Black Sea Grain Initiative was "never a panacea for Ukrainian agriculture," said Joseph Glauber, senior research fellow at the International Food Policy Research Institute; even with some foodstuffs going out, high input costs, conflict, and Russian occupation have dramatically driven down Ukrainian agricultural production and exports.

But some grain getting out of the Black Sea was better than none at all. The deal did serve as a "relief valve" for Ukraine's exports, said Caitlin Welsh, director of the Global Food and Water Security Program at the Center for Strategic and International Studies (CSIS). Even a relief valve, turned off, could make global food prices volatile once again. And now Russia has escalated its threats against Ukrainian-bound ships and unleashed a wave of air strikes against critical infrastructure in Odesa. All of that could threaten Kyiv's ability to export grain now and in the future, with or without a deal.

The Black Sea Grain Initiative, briefly explained

Ukraine has been dubbed “Europe’s breadbasket,” with the country providing about 10 percent of the global share of wheat exports and almost half of the world’s sunflower oil. Almost 90 percent of Ukraine’s grain exports left from Black Sea ports.

Russia’s invasion in February 2022 effectively choked off that route. Russian fleets blocked the Black Sea; many parts were heavily mined. Ukraine shipped some grain west, through Europe, but inadequate infrastructure and a raging war made these routes costly and slow, an insufficient replacement for the sea trade. In the spring of 2022, millions of tons of grain were stuck in silos in Ukrainian ports.

Russia’s invasion wasn’t the only thing putting pressure on the global food supply. Years of droughts in many places and Covid-19 supply disruptions added stress to the market. But the war in Ukraine piled on top of all that, and global food prices surged. Other countries freaked out and began to curb their own exports of food and fertilizer over domestic shortage fears, pushing prices higher. That made food even harder to afford for poorer countries, many of which depend on agricultural imports. That threatened to deepen a worldwide hunger crisis.

The Black Sea Grain Initiative averted the very worst of that catastrophe. Guterres hailed it as a “beacon of hope” when Turkey and the UN brokered the deal in July 2022.

The deal allowed for exports of commercial food and fertilizer from three Ukrainian Black Sea ports: Odesa, Chornomorsk, and Pivdennyi (previously called Yuzhny). Teams representing all parties to the deal (Ukraine, Russia, Turkey, and the UN) would inspect ships going in and out of these ports, and once loaded with cargo, ships would take an established route, avoiding mined areas, through the Black Sea toward Istanbul.

Western penalties never restricted Russia’s own grain and fertilizer exports, but as part of this deal, Russia got some additional guarantees to ensure its agricultural and fertilizer products would remain exempt from any sanctions.

More than 32 million metric tons of grain and other food products left through this Black Sea route in the past year. As of July 2023, the World Food Programme purchased about 80 percent of its wheat through the initiative and directed some 725,000 metric tons to the most food-insecure places in the world, like Afghanistan, Yemen, and Somalia.

In reality, as Murithi Mutiga, director of the Africa Program at the International Crisis Group, said in a note sent to reporters, not a lot of the Ukrainian grain landed in poorer countries in places like Africa, as the UN had initially envisioned. China was the biggest purchaser, buying about 25 percent of Ukrainian grain shipped out.

But the deal did help stabilize global food prices and prevent spiraling food insecurity. “The fact is, with the agreement, global prices have been lower, so that’s all very positive,” Glauber said.

The deal also provided a small lifeline for a Ukrainian economy destroyed by Russia’s invasion. But Ukraine’s agricultural production is nowhere near pre-war levels, down by about 35 percent, according to Glauber. The war continues to complicate both planning and

planting. Everything is more expensive or harder to get, and some agricultural regions exist along the war's front lines; even in liberated territories, there are risks, like landmines.

This would all be far worse without the Black Sea route; the infrastructure and capacity just don't exist to handle the same loads through train and trucking or canal routes into European ports. Those efforts have also caused political tensions, as farmers in neighboring European countries have complained that Ukrainian grain is ending up in local markets, pricing them out. All of these challenges may flare up even more intensely if Russia remains out of the deal.

Why is Russia quitting the grain deal?

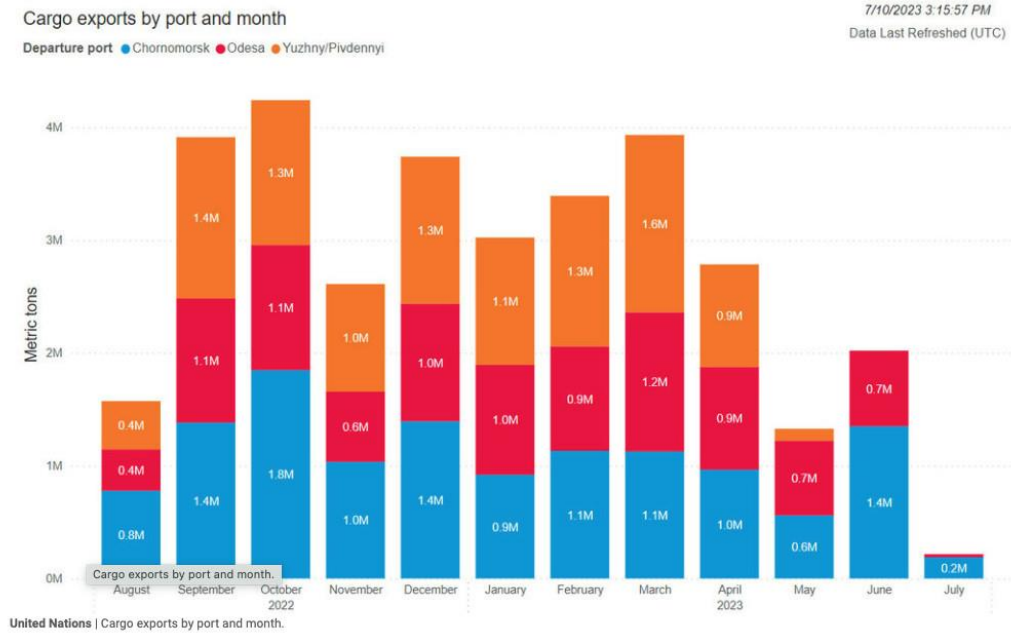
The Kremlin denied its withdrawal from the deal Monday was linked to the likely Ukrainian-led attack on Kerch Bridge, which links the Russian mainland to Crimea, but the timing was notable.

Still, the grain deal was under strain even before Russia pulled out. It had been extended three times, most recently in May, but lately negotiations have been fraught. The Kremlin has only agreed to short-term extensions of 60 days, so every two months the initiative's fate is uncertain. And each time, Russia does a will-they-won't-they dance, increasingly using the deal as leverage to get more favorable terms for itself.

Moscow has also pulled out once before, in October, shortly after Ukraine attacked a Russian naval base. During that time, Ukraine, the UN, and Turkey continued to transport grain through the sea routes. Russia rejoined a few days later, saying Turkey and the UN had secured sufficient assurances from Kyiv that it would not use these sea corridors for military purposes.

Even inside the deal, the Kremlin has obstructed its implementation. Most recently, Russia had been failing to provide required inspectors for ships. Overall grain shipments have been down in recent months; in May, just 1.3 million metric tons got out, compared to a peak of 4.2 million metric tons of grain in October 2022, according to UN data. As of early July, shipments are way below that, and the port of Pivdennyi has been at a standstill.

Cargo and inspection volumes from 1 August 2022 to 10 July 2023:



United Nations Black Sea Grain Initiative United Nations

Russia has protested that the deal is too favorable to Kyiv, which is a bit rich. Russia has “relatively nothing to complain about compared to Ukraine, whose agriculture sector has been decimated due to Russia’s war,” Welsh, of CSIS, said.

Moscow is trying to use its participation in the grain deal as a chip to get additional sanctions relief. The Kremlin says even if its agricultural products are not under sanction, its isolation from global banking and payment systems has made it harder to do transactions and business. This is an interesting take, as Russia had a pretty great harvest and its wheat shipments have hit all-time highs (which also means Russian farmers will benefit if grain prices now rise).

Russia is also upset about a pipeline that, before the war, moved ammonia from Russia to Ukraine’s port at Odesa. The pipeline has been shut since 2022, but a blast in early June (around the time of the Nova Kakhovka dam destruction) damaged the pipeline. Russia has previously accused Ukraine of “sabotage” and has said this would have negative impacts on negotiations around the grain deal.

Russia, then, has been advertising this brinkmanship for quite some time. According to Robert Hamilton, head of Eurasia research at the Foreign Policy Research Institute, this is what Russia does: instrumentalize agreements to try to get what it wants. “Russia was going to stay in the grain deal only so long as it benefited Russia more than it benefited the other parties to the deal, or at least as much,” Hamilton said. Once that deal is no longer in Russia’s interest, or it doesn’t get the benefit from it, or it wants to tie it to something else, he added, “it will violate it or just pull out of it until it gets what it wants.”

Guterres reportedly sent Vladimir Putin a proposal that would reconnect a subsidiary of Russia’s agricultural bank to SWIFT, the global payments system, an apparent carrot to get Russia to stay in the deal, though the status of that is not clear, nor whether it will be enough (Russia wants its whole agricultural bank reconnected, which the European Union has previously said it will not do). It may not matter, because Russia may see more benefit from

being outside of the deal, where it can push its demands — and also put more pressure on Ukraine.

“One of the goals they have with the invasion is to strangle the Ukrainian economy,” said Volodymyr Dubovyk, director of the Center for International Studies at Odesa I. I. Mechnikov National University and a visiting professor at the Fletcher School at Tufts University. “The grain deal was a way out for Ukraine, so [Russia] didn’t like it.”

What does Ukraine — and the world — do now?

On Thursday, Russia bombarded Odesa for the third day in a row. These strikes have been particularly intense; the mayor of Odesa, Gennadiy Trukhanov, said of Wednesday’s attack, that the city had not recalled “such a scale of attack since the beginning of a full-scale invasion,” according to the Washington Post. Kirby, of the White House NSC, said Russian attacks have destroyed about 60,000 tons of grain.

The Kremlin claimed these strikes were in retaliation for Ukraine’s attack on the Kerch Bridge.

“They’re constantly reminding Ukraine that it can reach the infrastructure that we need for the deal to operate,” Dubovyk said of Russia. He added that this was an “exchange of signals”; Ukraine, with its likely Kerch Bridge sabotage, had also tried to remind Russia it is not untouchable.

Those kinds of hostilities are an ominous sign for the future of the grain deal. Russia’s blockade of Ukrainian ports has been a deliberate effort to strangle Ukraine’s economy, another pressure point to try to raise the costs of Ukraine’s resistance. Right now, Kyiv’s counteroffensive is slow going, but it is still trying to stretch Russian troops and reclaim land. Putin may be offering another warning that, in a war of attrition, Moscow still has the advantage.

That makes it hard to predict what Russia will do next, though Turkey and the UN are furiously trying to urge Moscow back into the deal. Turkish President Recep Tayyip Erdoğan said this week he believed “my friend Putin, wants the continuation of this humanitarian bridge.”

That friendship is in a bit of a rough patch of late, so it’s hard to know how that might affect any diplomacy on the grain deal. International pressure may still matter here; in the past, African leaders have urged Putin to free up Ukrainian grain, and China, one of Russia’s most necessary partners right now, has been a major beneficiary of the grain deal.

The bigger question will be what happens if Russia stays out of the grain pact indefinitely. Ukrainian President Zelenskyy has said that the grain deal should continue to operate with or without Russia now. “We are developing options for action and agreements to preserve Ukraine’s global role as a guarantor of food security, our maritime access to the global market, and jobs for Ukrainians in ports and in the agricultural industry,” Zelenskyy wrote on Telegram this week. “We are fighting for both global security and our Ukrainian farmers.”

It’s unclear for how long that would be feasible given Russia’s warning that any ship going to Ukrainian ports could be deemed to be carrying military cargo. The Kremlin had also

previously warned of “risks” if ships operate in the Black Sea without “appropriate security guarantees.” These threats are a big deal, as the reason the grain deal worked is that it offered assurances to vessels; without them, shippers and insurers may see sending ships into the Black Sea as far too risky a venture, and it would dramatically raise the costs to export any agricultural products through these routes.

Even if Russia reenters the deal, it will remain an imperfect solution to remedy Ukraine’s agricultural economy and to ease global price pressures. Russia’s continued war in Ukraine means unpredictability and uncertainty, and that is without knowing where the next crisis or disruption might come from. What is happening in Ukraine, said Kate Phillips-Barrasso, vice president of global policy and advocacy at Mercy Corps, is “like pouring gasoline on a fire that was already significantly burning.”

The above is informative but is also rather one sided. It belongs to the category of views in which the west is always right, Russia in evil incarnate and its interests are not to be taken into consideration in any “deal”. Turkey’s PM, Erdogan, has always been fairer. And in this latest development in the Russo-west conflict, he has this to say:

West should act to meet Russia’s expectation over grain deal: Erdogan

President Recep Tayyip Erdogan has called on the western countries to take steps for meeting the expectations of Russia for the resumption of the grain deal, and informed that Ankara is intensifying its contacts with Moscow.

“We know that [Russia] has some expectations from the West. The Western nations should take action to this end,” Erdoğan told reporters on his return from a three-day tour to Gulf countries and Turkish Cyprus. (Apparently, as part of the original deal, the west was supposed to lift the sanction on the Russian Agricultural bank, which they did not do).

Erdoğan’s statement follows Moscow’s decision to stop the Black Sea grain initiative because of ongoing hurdles in front of its exportation of food products and fertilizers. Russian President Vladimir Putin recently said his country would consider resumption of grain export through the Black Sea if Russia can also transport its own products to the world markets. The grain corridor was created by the efforts of Türkiye and the U.N. in July 2022, and more than 33 million tons of Ukrainian wheat, corn and other product were exported to avoid a global food crisis.

Erdoğan recalled that the termination of the grain deal will have serious impacts in the rise of food prices and hunger in many parts of the world. “We will not hesitate to take action in order to stop all these. I believe we will be able to prolong this humanitarian action after thoroughly talking with Mr. Putin,” he said.

Russia says it cannot export its products because of ongoing secondary sanctions by the West on payments, insurance and shipment. It asks its agricultural bank to return to the SWIFT system and resumption of import of agricultural machinery and spare parts. It also wants to export its ammonium through a pipeline between Russia and Ukraine.

Erdoğan said Türkiye will use all the diplomatic instruments for the restart of the grain deal, stressing he will talk with Putin on the phone and later in person when the Russian leader visits Türkiye in August. Erdoğan said Russia is in favor of the continuation of the deal if its conditions would be fulfilled.

On a question about the claims that Türkiye's approval of Sweden's bid to join NATO has undermined its mediation role between Russia and Ukraine, Erdoğan said he does not support this view.

“To the contrary, we are running our relations with Russia through the contacts of my foreign minister and intelligence chief with their counterparts,” he said.

As usual, there are two sides of the story as in all such events. There is of course the western side, which is a thinly veiled attempt to help the Ukrainian economy stand on its own. They are also not willing to let Russia find a loophole in the economic sanctions they have imposed, including the lifting of the sanctions on Russia's agricultural bank which has indeed hindered Russia in selling its own produce.

Erdoğan has addressed this point. In any deal, there must be benefits to both sides. Ukraine clearly benefits from the deal and as long as the west does not lift the sanction on the Russian agricultural bank, Moscow would be less inclined to continue with it. Apparently, the lifting of this particular sanction is a part of the deal, and the west has never actually kept to its word. Hence the deal has floundered.

Is there any truth to the claim that Russia is weaponizing food, as the Americans have claimed? That's obvious, but since the west has declared that destruction of Russia is their aim in the current conflict, can one blame Russia from using all means at its disposal to counter this very obvious threat. Does the west really expect Moscow to take it lying down?

Hence, as long as economic sanctions are part of the war against Russia, Moscow must be expected to react and retaliate. To the extent that the earlier deal delivers some benefits to Russia, they would adhere to it. But when the west does not keep to its part of the deal and give Russia what it wants, then would it be any surprise for Putin to cancel it? That is exactly what Erdoğan is trying to say. To make a deal possible, both sides must keep to its deliverables. There is no such thing as a one-sided deal or a free lunch.

Then there is the additional issue of the Kyiv regime trying to attack the Kerch bridge. Last week, traffic on that single bridge that links Russia to Crimea and serves as a key supply route for the Kremlin's forces stationed there came to a standstill after one of its sections was blown up. Two people died, and their child has been hospitalized.

A video posted by Crimea 24 online news channel showed a section of the bridge tilted and hanging down, but there was no indication any portion had fallen into the water. Russian authorities said the attack did not affect the piers but it did damage the decking in a section of one of the two road links. Rail traffic resumed later on the same day, after being halted for about six hours.

The bridge is crucial for the supply of fuel, food and other products to Crimea, where the port of Sevastopol is the historic home base of the Russia's Black Sea Fleet. It is also a flagship project for Putin, who opened it himself for road traffic with great fanfare by driving a truck across in 2018.

This is the second attack on the bridge, and Zelensky has just stated that it is considered a military target and not civilian infrastructure. As such, the battlelines are set, and while Moscow has said that the grain deal has nothing to do with the latest Kerch bridge attack, it would seem obvious that the attack does nothing to help resurrect the grain deal.

The knives have been drawn. Everyone in the current circumstances knows what it is doing, and is determined to execute its own plan. No compromise. The Kyiv regime is looking for ways to salvage its reputation from the embarrassing and totally unmitigated disaster called the Spring/Summer counteroffensive that was launched in early June. In another week, the counteroffensive would have been running for two whole months, and there is nothing to show for it. No territory has been reclaimed by the Ukrainian armed forces. As a matter of fact, for the non-achievement, they have suffered some 20,000 casualties out of an attacking force of about 60,000. They have also lost 30 percent of the armoured vehicles that have been donated by the collective west to help them fend off Russia, and even though this can be replaced by more aid, the inevitable questions that would be raised by the sponsors are: 1) wouldn't they be sending money and weapons into a black hole of incompetence and corruption that is the Kyiv regime; 2) even if there is a will, will there be a way since the losses have been wasted on just the minefields that are tens of kilometers ahead of the first proper set of fortified defences the Russians have erected on the captured territory; and 3) in the face of an ever-demanding and ungrateful Zelensky, what is the point of all that aid anyway?

Many analysts are now saying that the Ukrainian war is now reaching its Kursk moment. Kursk? Well, in the summer of 1943, Kursk was a salient on the Eastern Front, not so far from the current battlefields in Ukraine, where the army of the Third Reich was defeated in just a couple of weeks of combat by the Red army in spite of the latest weapons that were brought out of German factories with big cat names like Tiger, Panther etc. From Kursk onwards, it became obvious to all, including the Germans, that the war in the east was lost. That it was just a matter of time before the Russians would triumph on the battlefield. It

turned out to be just that way, and there are parallels in the current conflict besides the feline names of the tanks. If the battle of Bakhmut that ended in May 2023 was the Stalingrad of the second world war (June 1942 to Jan 1943) and the spring/summer counteroffensive in Zaporizhia today is a disaster of equivalent magnitude as that in Kursk 80 years ago, then history tells us what to expect next. There was a follow through from the victory of the Russians at Kursk in the following year (1944 Operation Bagration) that rolled back the entire German front to the borders of the Third Reich. This can also be expected when the western proxy army in Ukraine is defeated. We can expect the Russians to move forward to occupy all of Eastern Ukraine until it is out of missile attack range which some military analysts expect to include both Kharkiv and Odessa. The scale of battle is entirely different with the numbers being much smaller than in WW2, but the comparison is not fantastical.

Don't believe that's possible? Here is an expert commenting on the state of battle right now:

Why Ukraine's counter-offensive is failing

Diplomacy is more important than ever as Kyiv simply doesn't have the human resources or physical infrastructure to achieve its goals.

*Written by
Daniel L. Davis*

July 19 in Responsible Statecraft

Last March, Secretary of Defense Lloyd Austin said that as a result of significant Western support, the Ukrainian military's spring offensive had "a very good chance for success." Former Chief of the British General Staff, General Richard Dannatt, went so far as to suggest that Ukraine's offensive would be so successful that Putin "may be swept out of the Kremlin" as a result.

Combat reality, however, has now swept away those optimistic claims and exposed the harsh truth: Ukraine is unlikely to militarily evict Russia out of its territory, no matter how many men they feed into battle.

As unpalatable as it is for all supporters of Ukraine, the most prudent course for Zelensky may now be to seek a negotiated settlement that preserves as much freedom and territory as possible for Kyiv. Ending the war now would end the deaths and injuries for tens of thousands of Ukraine's brave and heroic fighters — men and women whom Kyiv will need to rebuild their country once the war ends.

The same month that Austin was claiming Ukraine had "a very good chance" to defeat Russia in Kyiv's spring offensive, I wrote that embracing the concept "that Russia is going to lose the war could leave the West to be caught off guard if the Ukrainian offensive fails to materially degrade Russian positions." One month before the start of the offensive, I explained the very practical reasons why the Ukrainian attack would almost certainly fail to achieve even modest gains.

To succeed in its operation to cut the Russian land bridge to Crimea, I wrote that Ukrainian troops would have to attack through multiple belts of elaborate Russian defenses "with limited offensive air power, limited air defense, insufficient quantities of artillery shells, and

a force that is equipped with a hodgepodge of modern and antiquated armor — staffed by a mix of conscripts with no combat experience and some officers and men with basic training by NATO instructors.”

All of those factors have now predictably conspired to blunt Kyiv’s offensive, failing after six weeks of effort to even penetrate the first belt of the main Russian defensive lines.

Ukrainian and Western officials have tried to put a good face on this by claiming the progress is just “slow,” that everyone needs to have patience, that in time the Ukrainian Armed Forces (UAF) would still prevail. Some analysts have argued that Ukraine has done a poor job of employing the combined arms operations that NATO armies employ and taught to Ukrainian troops earlier this year. But the harsh reality is that for very predictable reasons, progress remains as elusive as ever.

Starting on about June 5, the UAF launched a major attack in the Zaporizhia region, with the intent to break through the Russian security zone immediately opposite the line of contact, then penetrate the first belt of Russia’s main defensive line, capture Tokmak about 15 miles behind the lines, on the way to taking Melitopol on the Azov Sea coast, cutting the Russian forces in half. The Ukrainian command spearheaded the attack with two mechanized brigades — the 47th and 33rd Mechanized Brigades— that had received the most NATO training and NATO equipment, featuring German Leopard 2 tanks and American Bradley Fighting Vehicles.

These two brigades suffered crushing defeats right from the beginning, failing to advance more than a few kilometers, losing a large number of their modern armored vehicles in the first four days. In the first two weeks, Ukraine overall lost a staggering 20 percent of the Western armor it had amassed for the offensive and over 30 percent of its striking force. The reasons for the loss were wholly understandable given the conditions known to exist: Russia had spent over six months building elaborate and powerful defensive belts, had a significant advantage in air power, air defense, and artillery, and significant capacity in minefields, anti-tank guided missiles, rocket artillery, electronic warfare (to defeat Ukrainian drones and precision guided missiles), and attack drones.

Trying to put a good face on the situation, Western officials and analysts told the Washington Post on Tuesday that “Ukraine’s military has so far embraced an attrition-based approach aimed largely at creating vulnerabilities in Russian lines.” That is not accurate. The UAF haven’t “embraced” an attrition-based approach, they have changed tactics to leading with small groups of dismounted infantry to try and penetrate Russia’s leading trench lines out of sheer necessity. Leading with armor simply won’t work, and if Ukraine had persisted in trying large armored assaults, they would have continued dying in large numbers.

The problem for Kyiv is that this “approach” is virtually certain to fail. The military geography of this entire region of Ukraine is characterized by open, flat terrain, interspersed with thin forest strips. Because Russia owns the skies and has considerable drone capacity, any time the Ukrainian soldiers move in the open, they are immediately subjected to artillery or mortar fire. If any armored vehicles move in the open, they are likewise quickly destroyed. The best the UAF can do is infiltrate small numbers of infantrymen into trenches where Russian forces are located.

It's not that Zelensky's forces are "going slowly" forward, it's that they aren't attaining *any* of their initial tactical objectives on the way to the Azov coast and it's precisely because the combat fundamentals necessary to win are largely (and in some cases entirely) absent. They flatly don't have the human resources or physical infrastructure necessary to succeed.

Now, it is always possible that Russia could suffer sudden political collapse, such as what happened in 1917, and Ukraine could still emerge successful. That, however, is extremely unlikely and Kyiv would be unwise to base their future hopes upon such an event.

To continue trying will tragically result in yet more UAF troops being killed, Ukrainian cities destroyed, and push prospects for peace ever further away.

On Monday, Pentagon Deputy Press Secretary [Sabrina Singh](#) said that Ukraine has "the combat power to be successful on the battlefield. They have what it needs to be successful in the counteroffensive." Such optimism is grossly out of kilter with combat realities. The United States should stop making such plainly inaccurate statements and instead start to put real diplomatic efforts into ending this war.

I understand everyone wants Ukraine to win and Russia to lose. But continuing to persist in pursuing that aspiration won't change the ground truth realities. The course of action that holds out the best hope for Zelensky to emerge from this war with Ukraine retaining its political viability is to agree to a ceasefire so that negotiations can begin.

Even that's not a guarantee of success, but the longer Ukraine delays in seeking such an outcome, the greater the chances that Russia continues building strength to launch an offensive of its own this summer or fall, possibly capturing even Kharkiv or Odessa. In other words, a stalemate might not be the worst-case scenario for Kyiv. Now is the time to develop the diplomatic track to end the war.

Lt Col Davis is a retired US Army officer and an analyst of US foreign policy.

What the article is saying is that the entire west has been lying. When the assessment of LTC Davis turns out to be correct in every dimension, it will not just be a simple matter of Ukraine losing a straightforward civil war between two Slavic states. Because of how they have exploited the situation, supposedly to weaken Russia, it would be the entire NATO that would have lost the war. Just as in 1943, the German army consisted of the nationals of many of today's NATO members embedded into its SS divisions, NATO is fighting this war against Russia. Kyiv has all its weapons supplied by the west, and its army has mercenaries from the US and other western countries, with some 5000 of them already killed. For the Russians, the situation is not that different than in the Great Patriotic War, 1941-1945.

Therefore, in the broader context of the NATO war on Russia and its existential resistance, why would it be a surprise that Moscow would withdraw from the grain deal that would hurt its cause? To portray the Russian withdrawal from the deal as "weaponizing food" (comment attributable to Blinken) is not incorrect; it's just rich... Didn't the US also

“weaponize the Dollar” in using all the resources at its disposal to fight its wars? Wouldn’t the Russians be expected to, likewise, weaponize everything at its disposal when they fight back against the proxy western army whose objective has been explicitly declared to be the break-up of Russia into inconsequential smaller states? Hey, they are just following your lead, Mr Blinken... There are these nuances and perspectives that need to be taken into full account when assessing propaganda.

Which also means that this grain deal is unlikely to be resurrected anytime soon, unless the west renounces its sanctions against the Russian agriculture bank and its broader, more sinister aim of destroying Russia. Food prices will rise, and the main beneficiaries will be Russian farmers who have enjoyed a bumper crop this year. It will bolster Putin’s popularity in Russia. The collective west, if they cared so much about the food crisis in Africa and the Middle East which make up the markets for the Ukrainian grain, must figure out a win-win situation which Moscow can accept for the deal to be sustainable.

But the most revealing thing of all is the arrogance and hubris of the western attitude in this global disaster. They declare loudly they want to destroy Russia and break it up (through proxy war, economic sanctions and propagandistic profiling), including a regime change of everybody who is in power in Moscow, and then they expect them to adhere to their idea of doing the right thing. Well, if that’s not arrogance, then it must be stupidity.

Ask for total war, and you get it.

The other inflationary factor we are seeing from the geopolitical situation is the recent rise in oil prices.

Here is recent report from Trading Economics, a repository of key economic data in the world:

WTI crude futures rose above \$77 per barrel on Friday, hitting its highest level in 12 weeks, as investors continued to assess the outlook for the oil market in the second half of the year. Oil prices found support earlier this week after China's top economic planner pledged on Tuesday to roll out policies to "restore and expand" consumption in the world's top crude importer. On the supply side, Russia's energy ministry said the country will cut oil exports by 2.1 million tons in the third quarter, in line with planned voluntary export cuts of 500,000 barrels per day in August. Expectations that the end of the current monetary policy tightening cycle is getting closer also added to bullish sentiment. Meanwhile, official data showed that US crude inventories declined by 708,000 barrels last week, compared with market expectations for a larger 2.4 million barrel drop. .



The chart above shows crude oil prices over the last five years. It recalls the oil price collapsing during the covid crises, and its massive turnaround after that since the Ukraine war began. After rising above \$120, the price came back down to around \$60 per barrel and

that fall has been translated into lower gasoline prices worldwide. It was the beginning of the end of energy inflation. The price was stable at about \$70 until last week, when it rose unexpectedly to \$77, WTI basis, and \$80 Brent basis.

It's too early to predict if this upturn will continue and whether the rally will have legs. But the reason for it has been covered – inventories are low, China is expected to stimulate its economy and for sure, Russia will stick with its plan agreed with OPEC Plus to cut production. If you want to really call a spade a spade, sure, cutting production is designed to hurt America and western Europe, who have declared Russia to be the enemy that must be destroyed. Again, what do you expect them to do?

Everybody knows that Biden, the man at the helm of the anti-Russia phobia, may not last longer than Putin in power if he loses the Nov 2024 election. What's at stake? It's the economy, stupid! If inflation in the west stays elevated, there will be reason for the American and all the electorates in the collective west to dump their current leaders and bring in politicians who will address their economic problems, unlike Biden and Pence who regard their own domestic economies to be “not their concern”, so remarkably extracted out of the latter by a skilful moderator called Tucker Carlson. Change in the political lineup of all the countries that is fighting his country is obviously what Putin wants to create, and if he can push that along, he will. There is nothing he will not do that will make inflation stay elevated in the west. First food prices and then energy prices as well will probably do it.

The Middle East countries led by Saudi Arabia's Crown Prince, MBS, who also has no love lost with Biden will also not be likely to lower oil prices anytime soon. Since the war started, the oil producers have cut production twice, and they will stick to their guns. Not that they are explicitly helping the Russians, but I think they have enough of an evangelising west preaching values of democracy in a tradition-bound Muslim region. Enough of the Americans' “with me or against me” bullying or of Josep Borrell (EU foreign affairs chief)'s contemptuous attitude arrogantly articulated as “the west is the only garden in the jungle” or of von der Leyen's “European values” as if there are no other countries with a different culture, history and better values. The rest of the non-western world is tired of it. They want change to be brought about by BRICS, SCO and new global leadership championed by China and Russia.

As such, it is easy to predict that they are not likely to help the west and its central banks in their prolonged fight against inflation. Or for their politicians to get continued support from their embittered and war weary electorates.

There we have it. The geopolitics of the world, heaped on all of us by the reluctance of an American empire refusing to recognise the rise of rival powers and to accommodate their

peaceful ascent, has chosen to deal with the problem with arrogance, inflexibility and militarism. The rest of the world, especially Russia, China, the Middle East and much of the global south, has had enough. To the extent that they can help the world turn over to a new chapter of multipolarity, they will.

In this regard, expect oil prices and food prices to go up. Inflation in the west will persist, and interest rates will likely be higher a year from now than we are seeing today.

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Un-Influencer in a World full of Hubris