

Weekly Commentary 10—Commentary for Feb 2024

The loss of the war in the Ukraine and why the US Dollar will consequentially rise.

After a number of adverse developments against him over the last few days, Joe Biden became flustered and lashed out un-presidentially (rudely) against the head of state of Russia.

The events that were obviously frustrating to Biden were:

1) On the second anniversary of the proxy war by America's client state against Russia, what Kyiv had hoped to be an impregnable fortress on the Donbass front, finally collapsed, after men surrendered en-masse or just got slaughtered when they made a desperate attempt to retreat from Avdiivka before the order to retreat was given. It was a pathetic rout which obviously did not please the American patrons. With that fall of fortress Avdiivka, the prospects of a victory against Russia on the battlefield has essentially disappeared.

2) The attempt by the Americans to engineer a regime change by sponsoring a local politician, Alexei Navalny, suffered a setback when the man died in a Russian prison; and Biden met with his widow (and got her name wrong) Stateside, in a vain attempt to find a replacement for Russian opposition to Putin;

3) And his attempts to get the US Congress to come up with US\$61 billion for aid to Ukraine has run into a brick wall when the House of Representatives expressed disinterest to throw good money after bad when it has been demonstrated that the Biden White House's proxy war is staffed by clowns and incompetents who have demonstrated after two years that they are incapable of conducting a war in which they can win. The House just went on a two week break to obviously not want to address the Senate/Administration proposal, which most people would interpret as a middle finger to the funding deal. **Unless they make serious changes to the aid package, it is dead on arrival.**

In short, nothing is going well for Biden's foreign policy. And in frustration, since the failure of the three measures above would mean that Biden will be held accountable at the polls for a Ukrainian foreign policy that is closely identified with him, he lashed out at Putin by calling him a crazy SOB.

How un-presidential. Using language that would be more appropriate for Joe the mafia boss, it is not like the lashing out upset Putin. The Russian head of state, when asked about the incident, said that Biden is "predictable" and would be his preference as the next leader of the US. This is like saying, "the man is an idiot, and it is better to be opposed by America run by a fool." How succinct!

Needless to say, things are beginning to unravel in the Ukrainian proxy war. The troops are getting worn out, and as during the French Mutiny during the First World War, when the army there rebelled, the circumstances facing the Ukrainian army are getting similar to those facing the French army in 1917. If there is such a rebellion, I

think that the Kyiv regime would be deposed, Zelensky banished or killed, and Biden regarded a poor choice for a second term.

As a matter of fact, articles are appearing – abundantly – in western mainstream media that the mood in Ukraine is deteriorating. Here is a sample from Bloomberg:

After two years of war, Ukrainians are becoming pessimistic

They no longer expect the war to be over soon

Feb 22nd 2024 | Kyiv

Two years of war with no end in sight. Vladimir Putin's invasion of Ukraine has turned into a political, military and economic battle of stamina and will between the Russian president and Kyiv's US and European allies.

Ukrainian resistance remains unbowed (really? If so, what happened at Avdivvka??), even as the task grows harder and bloodier with ammunition supplies and manpower dwindling and US military aid stuck in Congress. Russian forces have made advances in recent days after months of stalemate (actually, attrition engineered by Russia on the Ukrainians) on the battlefield.

President Volodymyr Zelenskiy's military shakeup exposed tensions within the leadership amid growing war-weariness in Kyiv, while in Russia, the prison death of opposition leader Alexey Navalny underlined how intense state repression (how about American Gonzalo Lira who was repressed in a Kharkiv prison but unattended to by his own country) has become under Putin.

The US will unveil fresh sanctions today to punish Putin for the war and demise of Navalny. Still, the Kremlin leader boasts that 10 years of international sanctions – starting after the 2014 annexation of Crimea – failed to destroy Russia's economy.

The 24th of February also marks the anniversary of the start of the Desert Storm ground war in 1991 that expelled Iraqi forces from Kuwait after Saddam Hussein's invasion. A US-led coalition restored Kuwait's borders under a United Nations Security Council resolution that Moscow supported.

Today, Russia uses its permanent UNSC membership to block condemnation of Putin's invasion. And nobody proposes sending NATO troops to help Ukraine restore its international borders, even as alliance members worry (more likely, imagine) they may be next to be attacked.

That's partly due to Putin's nuclear saber-rattling. He signaled his defiance again yesterday by taking a flight on a Russian strategic nuclear bomber.

Zelensky is signing security guarantees with key allies as he continues to press for NATO membership, which is unlikely as long as the war continues. All these partners are those that have invaded Russia in history...

The risk in a third year of war is that Ukraine gets just enough support to continue resisting but not sufficient to defeat Russia. —Anthony Halpin

The Economist adds:

It has been a long two years for Ukrainians, but for some the clock stopped the moment Russian tanks crossed the border. Residents of Hlibivka, a village 40km north of Kyiv, were trapped by the advance when the bridges behind them were blown up to save the capital.

As war enters its third year, a Ukrainian resident of Hlibivka, Olga Manukhina's sense of limbo is increasingly common. Belief in an eventual "victory" remains—among 85% of the population, according to one recent poll. But opinions about what that means and when it will happen have begun to diverge strongly. A majority now believe it will take years. And for the first time since the start of the war, polling also suggests **a majority feel that the country is heading in the wrong direction.** Hopes of pushing Russia back to its legal borders are being eclipsed by a focus on survival, says Oleksandr Martynenko, a journalist and a former senior official. **"We will be holding off the Russians all this year. The only question is whether we can."**

I don't know if the last sentence in the Economist article is just pure bravado, propaganda bullshit or blind faith? Can the Ukrainian army really hold the Russians off for all of 2024 since there is, admittedly by Kyiv's own actions, 1) no generalship that is capable, as proven in two whole years of fighting, 2) the interfering clown of a president who sacrifices his soldiers in pointless defence of places that were rated destined to fall, 3) donated western equipment that is over engineered and proven to fail in the battle conditions of Ukraine, 4) lack of money to recruit or enlist more soldiers and 5) the lack of artillery ammunition and air defence rocketry that can provide minimal response to overwhelming Russian artillery or an air force that have complete control of the skies.

Then there is the important question that come up next – can NATO defend themselves against Russia? As an Asian analyst, I think this question is not relevant because there are too many reasons why it is unlikely that Russia will cross the Vistula River on the border between Poland and Ukraine and march west. The only time they did that in history was when the armies of western Europe provoked that response in WW2. It cost the Soviet Union 28 million citizens to succeed in that and they only reached Berlin, not beyond. That's a quarter of Russia's population nowadays. So it is not likely.

And after the failures of communism in Eastern Europe behind the Iron Curtain, there is zero desire, according to Putin, of the Russians having any motivation to repeat that exercise. Just like, if you ask if Germany would ever try to conquer the regions west and east of the Rivers Dneiper and Don, or if the French would march a grand armee to Moscow, the answer would be equally lukewarm because everybody has learnt the folly of attacking a foreign land or occupying a conquered territory when you are not wanted there.

Still it is a question that the collective west want to torture their brains over. In fact in the aftermath of the loss of the war in Ukraine which follows from the collapse of the Donbass front after fortress Avdiivka fell, the question keeps coming up in western media. Here is one of these articles:

Can Europe Defend Itself?

(Bloomberg) -- Europe's in a race against time to arm itself.

Senior officials know they shouldn't be counting on the US for Europe's defense, but building up their own military capabilities requires a determination they're yet to prove. The continent's efforts leave it at least a decade away from being able to defend itself unaided, according to people familiar with these preparations.

Amid fears that Russia's invasion of Ukraine may represent just the first phase of much broader imperial ambitions, western intelligence assessments are suggesting that the Kremlin could be in a position to target a NATO member within the much shorter span of three to five years.

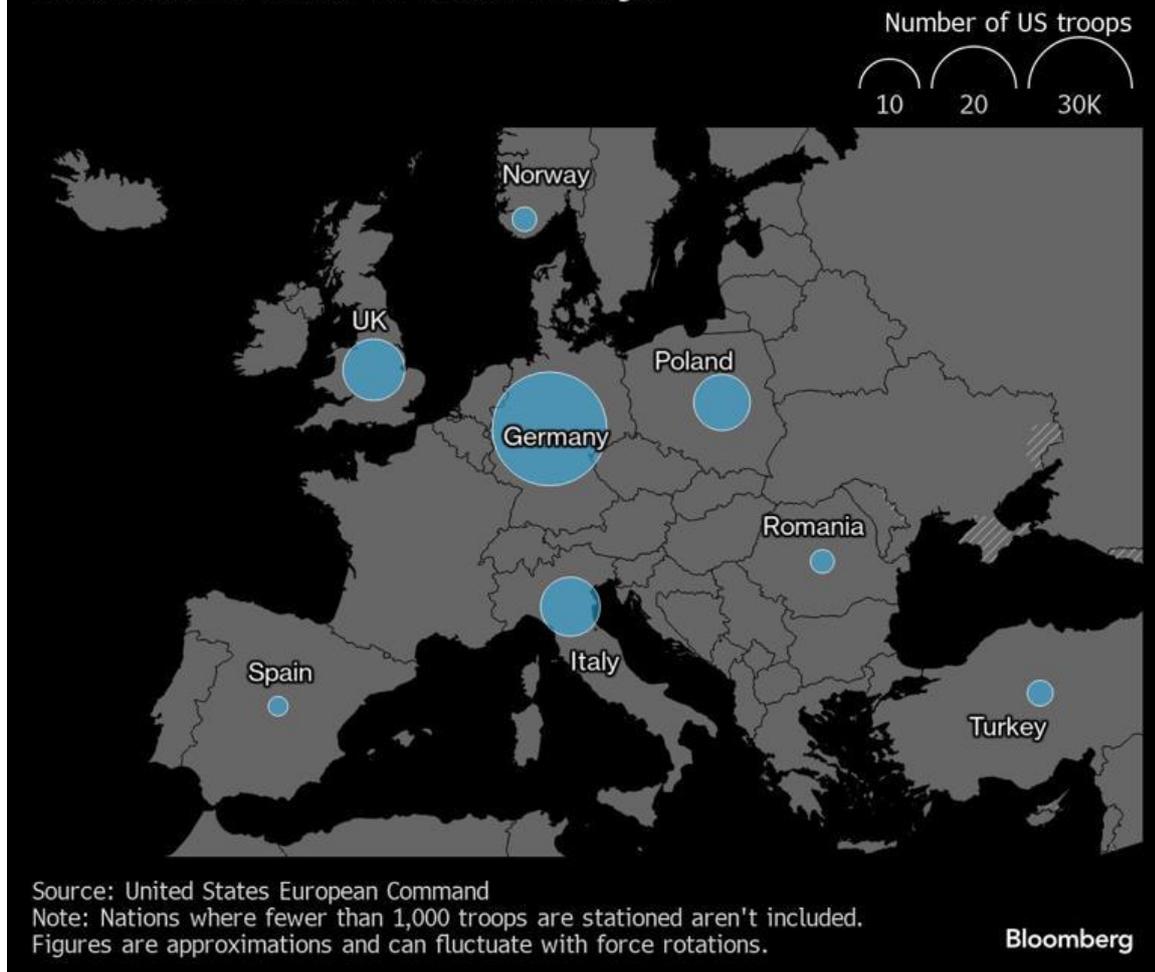
The resurgence of Donald Trump has upped the pressure, after the presidential hopeful said he'd welcome a Russian attack on NATO allies falling short on their spending commitments. That would leave more than a third of the alliance outside of the US security umbrella, according to new figures released Wednesday.

The fact is that European leaders need no encouragement from across the pond to turn themselves into a serious military power, but everything from supply-chain snags to disagreements over procurement means they're falling short.

"It all takes time," Estonian Defense Minister Hanno Pevkur said in an interview in Brussels on Jan. 30. "Unfortunately, we do not have time."

American Military Power in Europe

Where the US has most of its forces in the region



American Military Power in Europe | Where the US has most of its forces in the region © Source: United States European Command

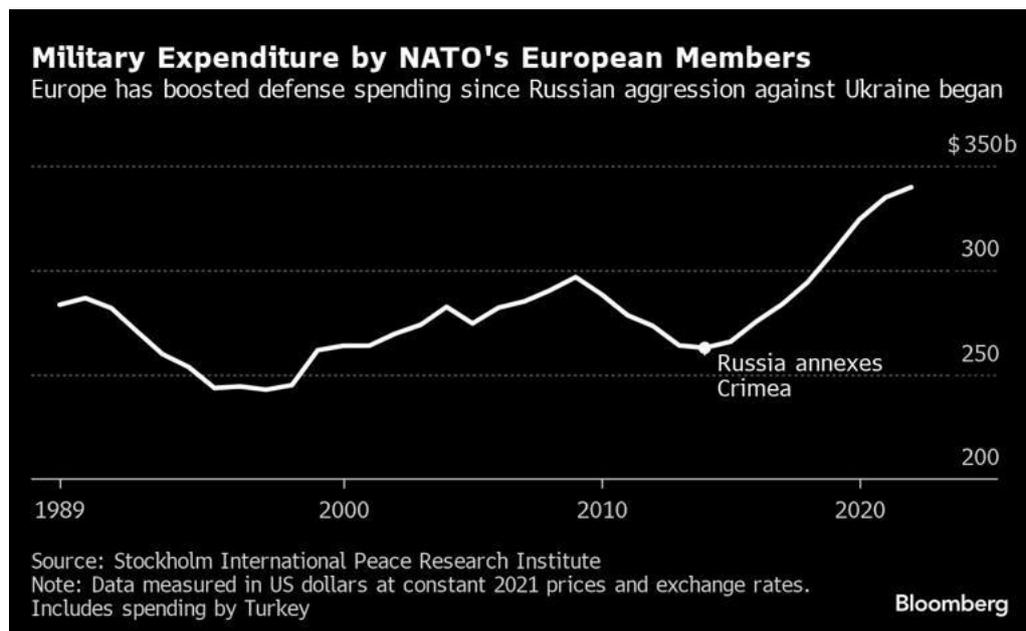
Because Europe is witnessing the biggest conflict on its soil since World War II, it feels threatened. Because of its long history of relying on the US, it feels unprepared. And because Trump narrowly outpolls his democratic rival in surveys for the November election it's feeling increasingly rattled, according to the officials who spoke to Bloomberg and who asked to remain anonymous when discussing matters of strategy.

These fears are likely to dominate panels and conversations from Friday at the annual Munich Security Conference; a gathering of leaders, military officials, and security experts which takes place days before the two-year mark of Russia's full-scale invasion of Ukraine.

Trump's provocative weekend remarks were just the latest combative statements reminding European leaders how, at a time when they're battling unpredictable foes, they now contend with unpredictable allies too.

The specter of his return to the White House has heightened the stakes. But they're already foregrounded under what is superficially a more cozy transatlantic partnership with Joe Biden, who's struggled to push through the military aid Ukraine badly needs to repel its Russian invaders.

The US's NATO partners arrested a long-term trend by increasing defense expenditure every year since Russia annexed Crimea in 2014, and in no single year so steeply as just after its second invasion. But that's been insufficient to rival US largesse — still less to fill the breach were it to retreat.



Military Expenditure by NATO's European Members | Europe has boosted defense spending since Russian aggression against Ukraine began © Source: Stockholm International Peace Research Institute

If European nations came under attack today they would still be dependent on the US for a slew of capabilities, and the gaps are especially large in certain areas. These include air and missile defense, deep-fire missiles, and the advanced computer systems needed to conduct warfare, according to officials familiar with the matter.

The worst case scenario would emerge from three things happening in succession: Europe not acting quickly enough to invest in its defense, the US failing to send Ukraine more aid, and Trump winning re-election then pulling the US out of NATO, according to one senior EU diplomat.

Since only the last of these is an outside prospect, it is not hard to see why the moment has European officials on edge.

Several told Bloomberg they suspect Trump wants to spook the continent into spending more, rather than withdraw from the alliance entirely. The risk he makes good on such threats has been mollified by a new bill that bars a president from

withdrawing unilaterally. But the fear he'll summarily cut off aid for Kyiv and hand Moscow a victory is far more imminent to them.

Trump has long given allies reasons to doubt his commitment to Article 5 of the North Atlantic Treaty, which enjoins every NATO member to support others under attack. The only time it's ever been invoked was after the Sept. 11, 2001, terrorist attacks on the US.

More than \$60 billion worth of aid to Ukraine is stalled in Congress, exacerbating European suspicions over the US's commitment to their security. The outbreak of conflict in the Middle East has also reminded Europe of Washington's split attentions, and they fear forces could ultimately be transferred elsewhere; including to Asia, if China were ever to attack Taiwan.

One way that Europe is trying to keep the US on side is by emphasizing, behind the scenes, that it's attuned to its concerns over China. That could serve as a reminder to the American public of NATO's relevance to the US.

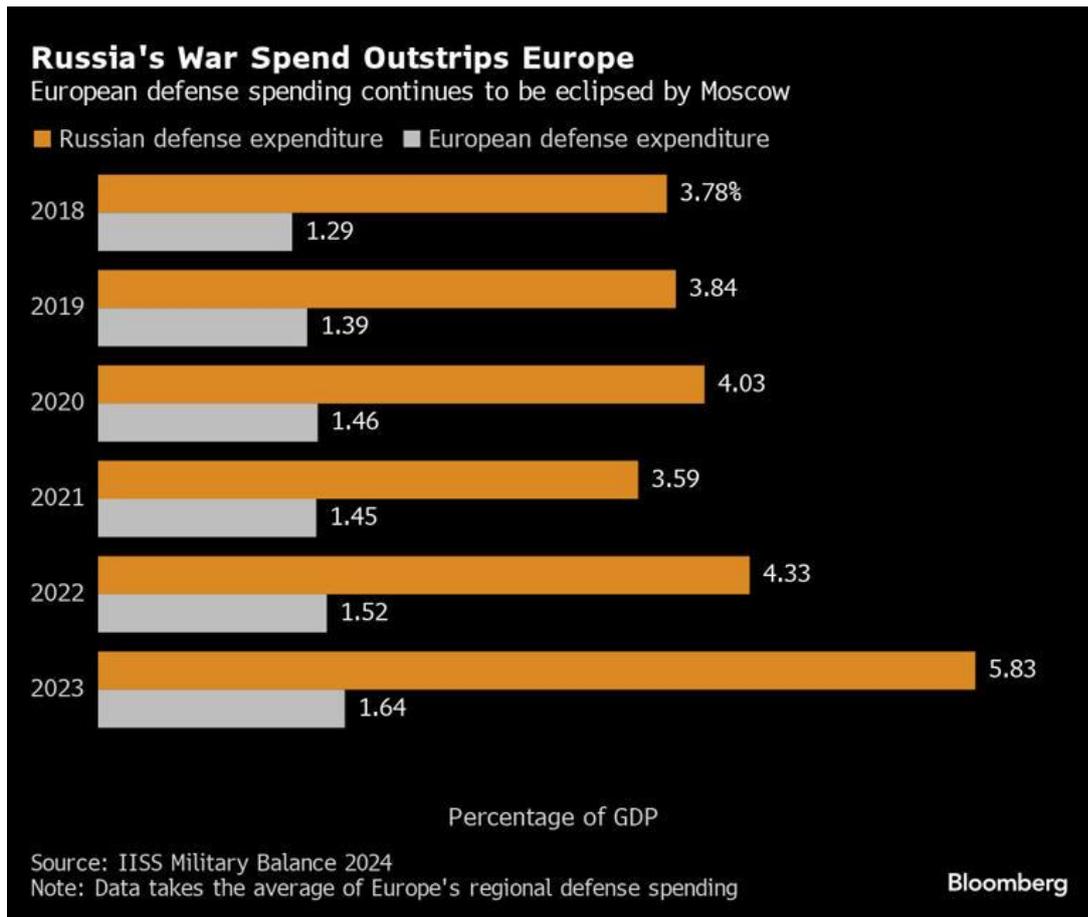
If Russia wins in Ukraine, and if the US disengages — either prior to that or consequently — the EU's main powers would need to do more than just make up the existing shortfall in order to defend the alliance's eastern flank. NATO's presence would have to triple along its new border with an emboldened Vladimir Putin, according to another senior European diplomat.

'Never Again'

After the end of the Cold War, European countries slashed defense budgets and divested large equipment in the belief that the continent's major wars were a thing of the past.

Fast forward to 2024 and 18 NATO allies are on course to reach the alliance-wide 2%-of-GDP spending goal, compared to just three of them in 2014 — one of which was the US. But the effects will take time to be felt, since they're trying to churn out ammunition and weapons at a time when demand is skyrocketing around the world, leading to competition for both components and raw materials.

Compared to 2023, the EU expects to triple its production of artillery shells to around 1.4 million units this year. The problem is that Russia is ramping up faster than expected and will make 4 million unites this year, according to Estonian estimates.



Russia's War Spend Outstrips Europe | European defense spending continues to be eclipsed by Moscow © Source: IISS Military Balance 2024

The US currently has around 80,000 forces stationed across Europe, hosts missile-defense sites in Poland and Romania and four destroyer warships in Spain. It leads a battle group and contributes forces to others on the eastern flank. Crucially, it also stores around 100 tactical nuclear weapons in five NATO nations: Belgium, Germany, Italy, the Netherlands and Turkey.

While both France and the UK have nuclear weapons, these wouldn't be enough to deter Russia from using one of its own, according to retired Lieutenant General Ben Hodges, a former commander of US Army Europe.

“The US provides a nuclear umbrella and it's because of that the Russians would never dare to attack a NATO country,” Hodges said.

Wake-Up Call

NATO and European allies are working to give their weapons greater interoperability, given the many different types of weapons systems in use across Europe, which hampers forces' ability to fight side by side.

The challenge was laid bare when Ukrainian fighters tried — and failed — to use the same caliber ammunition in similar equipment donated by different western allies.

But in trying to build up military capability, Europe is derailed by an almost Trump-like concern: that of protectionism. Clashes between Paris and Berlin over whether to buy foreign weapons systems are inciting tensions at a time when joint procurement could be growing capacity.

France has held back from joining a German-led anti-missile program, dubbed the European sky shield, which will purchase air defense systems from abroad, including the Israeli Arrow 3 and US-made Patriots.

The concern in Paris is that buying outside of the EU displaces investment that would otherwise go toward boosting local industry, especially as big weapons purchases involve long contracts and years of maintenance.

“We all agree there’s been fragmentation in Europe, because we all have this reflex of doing everything by ourselves,” Dutch Defense Minister Kajsa Ollongren said in an interview on Jan. 31. “Now we have to have a European reflex, and that will make all of us stronger.”

Some of the proposals under discussion include the inauguration of an EU defense commissioner or even the introduction of small battalions answerable to Brussels, according to one official, who nevertheless said that nothing is likely to transpire before European Union elections in June.

In the short-term, grouping orders among different member states would help solve interoperability problems and drive production by giving defense contractors clarity about demand. And large multinational orders are already taking place, including through NATO’s procurement agency and the European Defense Agency.

In the coming weeks, EU Industry Commissioner Thierry Breton is due to unveil an EU defense strategy that will designate strategic areas for investment and strip away red tape for businesses, among other measures.

At an event last month he pointed to Trump as he urged Europe to do “drastically” more to boost its own defense. “Now more than ever, we know that we are on our own.”

--With assistance from Cagan Koc, Alan Katz, Ania Nussbaum, Alberto Nardelli and Ben Sills.

As a matter of fact, even the chief of NATO, Jan Stoltenberg is not confident that Europe can defend itself, at least not without American participation. His views were reported to Reuters:

NATO's Stoltenberg Warns Europe Against Going It Alone on Defence

February 14th, 16PM February 14th, 16PM

By Andrew Gray and Johnny Cotton

BRUSSELS, Feb 14 (Reuters) - NATO chief Jens Stoltenberg warned Europe on Wednesday against trying to go it alone on defence after comments by Donald Trump prompted fresh debate over whether the continent can continue to rely on protection from the United States.

"The European Union cannot defend Europe. Eighty percent of NATO's defence expenditures come from non-EU NATO allies," Stoltenberg, secretary general of the North Atlantic Treaty Organization, told Reuters in an interview.

Stoltenberg said it was clear that Europe's security depended not just on Europe itself but on other NATO members such as the United States, Canada, Turkey, Norway and Iceland.

"If you just look at the map, it's obvious that all these countries, non-EU allies, are vital for the protection of Europe," he said.

He added that "any attempt to de-link Europe from North America will also divide Europe". Many European nations, particularly in Eastern Europe, see the U.S. as their primary security guarantor and would oppose any move to change that.

Trump, the U.S. ex-president and frontrunner to be the Republican nominee in this year's presidential election, sparked sharp criticism from Western leaders after saying he had told NATO members the U.S. would not defend those who failed to spend enough on defence and would even encourage Russia to attack them.

Many European politicians said Trump's comments were a wake-up call and should act as a spur for Europe to do more to be able to defend itself.

Stoltenberg said European NATO members had to do more to build up defence capabilities and were doing so. But he said this should happen within a transatlantic framework.

Earlier on Wednesday, he said European allies would invest \$380 billion in defence this year, taking their spending to an estimated 2% of total GDP in 2024, compared to 1.85% in 2023. (Reporting by Andrew Gray and Johnny Cotton; editing by Charlotte Van Campenhout and Mark Heinrich)

Well, like it or not, Trump is making headway coming back as president of the US. In the just completed Republican primary election in South Carolina, Trump again proved himself to be the man of the party when he crushed his opponent Nikki Haley, who has home court advantage since she was a popular governor in that state.

Haley was hoping to avoid a crushing defeat to the frontrunner Trump in her home state (that was not to be) as she vows to keep fighting in the White House race.

But Trump was declared the victor in the race just seconds after polls closed at 7 p.m. ET and he started celebrating onstage with his adoring supporters declaring 'we won in a landslide!'

The former president was polling steadily 30 points ahead of her and is looking forward to the November election and a likely rematch against Joe Biden.

He took the stage at CPAC just outside of Washington, D.C., where he proudly declared himself a 'political dissident' in the afternoon before flying south for what he expects to be a victory party.

Haley has vowed to stay in the race no matter the result, but an embarrassing defeat on home turf could be the final nail in the coffin for her campaign.

She has ramped up her attacks on the former president, 77, and has compared him to Joe Biden with his gaffes.

There is now starting a race for a politician to be Donald Trump's running mate.

Rep. Elise Stefanik, R-N.Y., congratulated the former president late Saturday, saying he 'made history as he has swept every state in Republican primaries and caucuses!'

Earlier today at CPAC, she was voted the fourth most likely candidate to be Trump's running mate in a straw poll including nearly 1,500 conservatives.

Former presidential candidate Vivek Ramaswamy and South Dakota Gov. Kristi Noem both tied for first in the vice presidential poll.

And both have advocated loudly for his reelection.

After Trump delivered remarks at CPAC Saturday afternoon Ramaswamy took the stage and declared him as 'the next 47th president of the United States of America.'

Noem spoke Friday at CPAC, where she praised Trump's leadership and reminded the crowd of her early endorsement of his campaign.

Another VP contender, Sen. Tim Scott, R-S.C., joined Trump on stage at his primary party.

'South Carolina is TRUMP COUNTRY!' he later posted on X.

Scott was voted the fifth most likely candidate to be Trump's running mate at CPAC.

If Trump is looking for a woman to be his number 2, there is also a chance for Marjorie Taylor Greene to be the choice

In an article published after the election, Donald Trump thanks Republican Marjorie Taylor Greene for going to polling stations in support of him: 'She is the hardest worker'

Former President Donald Trump gave glowing thanks to Rep. Marjorie Taylor Green, R-Ga., during his victory speech Saturday night.

'A woman who was actually out campaigning today, this is Marjorie Taylor Greene,' Trump told the crowd after beating Nikki Haley in the South Carolina primary.

'I said, 'Marjorie you don't have to do that.'"

'She went to a polling sector and she had the Trump flag screaming 'vote!'"

'She said nope nope I'm staying longer,' Trump added.

MTG spent the majority of the day holding up Trump signs and flags and urging South Carolinians to head to the polls.

She was photographed off to the side of his victory stage taking a picture of Trump as he addressed his adoring crowd.

If Trump becomes Republican nominee, then the EU's concern about America's commitment to defend Europe becomes real. Trump has already said so.

As the Europeans ponder their collective fate in the face of Russian retribution, there is also the question of why they and the US so underestimated Russia. There is now hell to pay on the western side, as Russia shows its mettle in war. One relevant question that has been asked is why the economic war against Russia has failed so miserably. The Russia economy was like 1/10th the size of the collective western economies and the west expected the 13 rounds of sanctions would crush that small economy and enable the west to balkanise the country and divide up its economic resources.

The West tried to crush Russia's economy. Why hasn't it worked?

From an unenforced oil price cap to rogue countries teaming up, Moscow is exploiting the West's weaknesses.

By **NAHAL TOOSI, ARI HAWKINS, KOEN VERHELST, GABRIEL GAVIN** and **KYLE DUGGAN**
02/24/2024 12:00 AM POLITICO

Oil income: slashed. Oligarchs' assets: frozen. Access to weapons: choked.

Russia has faced a historic slew of penalties from Washington, Brussels and beyond since it launched its full-scale invasion of Ukraine on Feb. 24, 2022. The punishments, chiefly economic sanctions, were designed in large part to drain Russia's coffers so it would struggle to fund its war. And more pain has been promised as both the U.S. and EU unveiled new sanctions against Russia this week, some tied to the death of imprisoned opposition leader Alexei Navalny.

Yet, two years on, Russia's economy has rebounded. Its factories are humming, its oil and gas sales are relatively strong and its people are at work in a system retrofitted to be all about the war. Vladimir Putin, meanwhile, appears firmly in charge of the Kremlin, despite hopes that Russia's elite would turn on him as the economic pressure grew.

Why haven't the international penalties knocked Russia out of Ukraine? The answer often comes down to two factors: political will and technical ability. **Putin himself, in his interview with Tucker Carlson, said that Russia has 9 trillion dollars of assets in the ground, referring to the mineral wealth that is abundant in the country. Not so easy to crush the Putin regime.**

Legal, financial and even military resources are required to enforce the various punishments — whether that's fending off lawsuits from Russian citizens whose money is frozen or staffing inspectors at commercial ports. But the countries

pursuing the campaign don't always have the same focus, finances or rules, making enforcement lopsided across allies.

Politics further complicate the equation: It's hard for one government to pressure another to stop buying Russian products if it needs that country's cooperation on other fronts. Washington doesn't want to strong-arm a potential partner against China like India; Brussels doesn't want to alienate Turkey in the Middle East.

"Sanctions and other economic measures alone are not going to win this war," said Kim Donovan, an economic statecraft analyst with the Atlantic Council think tank in Washington. "We need to manage our expectations of what these tools can accomplish in the short term."

The limits of the sanctions-heavy campaign also call into question the West's larger project of containing Russia by non-military means.

But the architects of the effort counsel patience, noting that the Russian economy has been badly damaged and arguing that what the Kremlin is doing to sustain it will not work in the long run. The impact of some elements of the pressure campaign, such as export controls, could take years to fully gauge, they add.

A senior Biden administration official pointed out that, among other things, Russia is running through its liquid reserves and pushing assets toward a war economy in ways that will hurt its social stability.

"They have sort of a ticking clock for how long they can sustain the strategy," said the senior official, granted anonymity to discuss a sensitive issue. "And so our goal is to try to make that more difficult and accelerate the pace at which they are moving into a place where this just becomes unsustainable." **(None of this will work because fighting the war provides Russia with war Keynesianism which boosts its military production and hence GDP.)**

White House National Security Council spokesperson Adrienne Watson insisted such measures have "had a significant impact, undercutting Russia's ability to fund and fight its war."

"We are committed to holding Russia accountable for its brutal and illegal war in Ukraine, and in coordination with our partners have put in place the largest set of sanctions and export controls ever imposed on a major economy," Watson said.

Even as they defended the impact of the sanctions, other top officials recognized the limitations of economic penalties.

"Sanctions alone are not enough to carry Ukraine to victory," Treasury Deputy Secretary Wally Adeyemo told reporters Thursday before new penalties were announced, adding that the "only way" the Ukrainian people will be successful "is if the House and if Congress provides them with the financial resources, but also the equipment they need to continue to defend themselves."

Meanwhile, it's anyone's guess when the Russian economic machine will stop working, and there's a question as to whether it is now incentivized to keep the war in Ukraine going.

Here's a deeper look at some key reasons the campaign to stymie Russia has yet to succeed:

Uneven sanctions

Perhaps the most critical tool the United States and its partners have used against Russia are traditional economic sanctions.

These penalties generally target individuals, companies and state bodies. They can also hit financial institutions, including the central bank of a country that houses many of its national assets. If, say, Country X imposes financial sanctions on a Russian oligarch, that usually means the citizens of Country X cannot do business with that oligarch and that oligarch's assets in Country X are frozen.

The U.S. has a long track record of imposing economic sanctions on overseas entities, and because so many people and companies do business using the U.S. dollar, Washington's reach is long. Violators potentially face criminal charges, hefty fines and frozen assets.

But the U.S. also has established legislation, resources and government bodies, such as the Treasury Department's Office of Foreign Assets Control, devoted to tracking down sanctions violators. Other countries have less robust systems and are more likely to let violators slip through.

"Personally, I don't know how good the Italian authorities are at sanctions enforcement. I think that Italian banks are more afraid of OFAC and the Justice Department in the U.S. than they are of their own regulators," said Edward Fishman, a former senior official at the State Department who is now at Columbia University's Center on Global Energy Policy.

To deter workarounds, Washington is increasingly turning to "secondary sanctions." This allows the U.S. to penalize foreign-based entities for doing business with sanctioned Russian entities.

In December, President Joe Biden issued an executive order that, among other things, could result in foreign banks losing access to the U.S. financial system if they do business with Russia's military-industrial complex. Treasury on Friday announced additional sanctions under this authority targeting 26 entities in 11 countries, including China, Serbia, the United Arab Emirates and Liechtenstein.

The measures marked an aggressive expansion of the administration's strategy against Putin, and could discourage banks from entire sectors in an effort to comply with the rules.

Some U.S. allies consider secondary sanctions an overreach of Washington's authority since it could hit third parties not subject to sanctions.

Still, the measures aren't nearly as strict as rules the U.S. has in place to target Iran, which punish foreign banks for transactions of any kind with an Iranian bank.

One big loophole is an exemption that allows energy-related transactions with sanctioned Russian banks. While that has prevented major turmoil in global energy markets, it has also allowed a significant amount of capital to continue flowing into Russia's economy.

Adeyemo said no decision has been made on whether to extend the exemption but defended the move as part of an overall strategy to prevent a negative impact on developing countries reliant on Russian energy exports while suppressing Russia's oil revenues.

"If we were to be in a place where we cut off some of Russia's oil, and the prices were to spike, they could earn more money potentially selling less oil," he said.

The EU is also making an effort to expand its sanctions regime to other countries. Brussels has been sending its special sanctions envoy David O'Sullivan to present evidence of evasion and circumvention to outside governments, hoping they will then join the bloc's penalties scheme. It's also floating the idea of creating an EU-wide authority to oversee sanctions enforcement — effectively Brussels' answer to OFAC.

Considering how sensitive it is to take responsibilities away from national European governments, however, it could be a while before this is established. O'Sullivan did not respond to a request for comment.

"The time for admiring the challenge is gone," said Tom Keatinge, director at the Center for Financial Crime and Security Studies of RUSI Europe, an international think tank.

"The EU has more levers it can pull than the U.S., considering it's the world's largest trading bloc. Raw economics. It's just a question of how to use this power."

Exports out of control

Using export controls to ensure Russia can't bring in high-tech items for the war has been particularly challenging.

Export controls are designed to limit Russia's access to certain types of products, such as microchips. Often such goods are "dual-use," meaning they could be used for both civilian and military purposes. Examples include trucks and vans that can be used for army logistics or semiconductors found on the battlefield in Russian missiles and drones.

Two fairly easy routes exist for Russia to bypass export controls.

The first one entails relabeling a shipment in a third country — Turkey, the UAE and China being known offenders. A Western company selling chips to a customer in the UAE, for instance, currently has no obligation to follow what happens with the goods. Customs offices also lack resources for such tracing.

The second one involves pretending a shipment will travel through Russia to Central Asia or the South Caucasus, only then for the products to simply never exit Russia. This happened last year when a Finnish company sold radar equipment to an airport in Kazakhstan, but it's unclear if the equipment — presumably shipped by truck into Russia — reached the destination.

The challenge lies in enforcement. “It’s a constant cat and mouse game,” said Bill Reinsch, a former Commerce Department official now at the Center for Strategic and International Studies.

“It’s a constant struggle to keep up with companies that are changing their name, going out of business, and transferring stuff from party A to party B to party C to party D, and finally getting it to Russia.”

U.S. fines for export control violations are also “peanuts” when compared to charges like foreign corruption that more often exceed \$1 billion, according to a November report from New York University School of Law. Companies may therefore be less likely to focus on export controls when facing greater potential punishments.

Matthew Axelrod, the Commerce Department’s assistant secretary for export enforcement, said last month the U.S. is on the “cusp” of cracking down with even steeper penalties for companies that violate export rules on Russia, China and Iran.

“You can expect to see more big-ticket corporate resolutions going forward,” Axelrod said.

Commerce declined to comment further on those enforcement actions, but on Friday announced it was adding roughly 100 more people or companies to a list of foreign entities subject to export restrictions, arguing this could make it harder for Russia to obtain goods that could benefit its military.

Many U.S. lawmakers want to increase funding for the export control mission of the Bureau of Industry and Security, charged with enforcing restrictions on dual-use goods. But partisan gridlock and the upcoming U.S. general election cycle could delay legislation.

Non collaboration with sanctions

Russia has been able to turn to other countries at odds with the West to buy, sell and move products — including weapons to use against Ukraine.

“The adversaries — whether it’s Russia or Iran, China to a degree, [North Korea] — they’re all working together,” Donovan said.

Since Putin’s invasion, Russia and China, in particular, have signaled a deepening partnership both economically and diplomatically, with Beijing often refusing to support certain resolutions targeting Moscow at the United Nations.

China has dramatically expanded its purchases of Russian oil, taking advantage of the discounts offered by the Kremlin as it’s been shunned elsewhere. It is likely

providing Moscow with critical technology, according to an assessment from Washington's Office of the Director of National Intelligence. That may include microelectronic components that could be used as part of the war effort.

Treasury's Adeyemo said the U.S. continues to engage directly with the Chinese government on its support for Russia.

"More and more, we're going directly to the Chinese private sector firms, and private sector firms in a number of these third countries, to make clear to them that they have a choice and that we're ready to use our tools to go after them," he said.

The EU, meanwhile, only just this week agreed to sanction mainland Chinese companies for sending dual-use goods to Russia after long-running hesitations over angering Beijing.

Russia also uses Iran's "shadow fleet" ships that have a long history of evading Western sanctions by disguising their movements and ownership. The vessels have been moving more Russian oil, according to media reports, sanctions analysts and other experts.

North Korea, a well-armed pariah state, has meanwhile been supplying Moscow with missiles and artillery ammunition.

Not every country buying Russian products is an adversary of Ukraine's allies in Washington and Brussels. India, for instance, has ramped up its purchases of Russian oil. The United States, however, has little interest in alienating New Delhi. It needs India to be a partner against China, so it has kept any Russia-related appeals to a minimum.

"In the early months, there was a dramatic drop of trade between Russia and its trading partners," said Chris Miller of the American Enterprise Institute, a D.C.-based think tank. "But a lot of those trade volumes recovered because trade was just being rerouted, via China primarily, but also Turkey and Dubai and other countries."

The oil price cap dilemma

The G7 club of major economies, plus the EU and Australia, agreed at the end of 2022 to impose unprecedented restrictions on Russian oil, namely limiting its sale price to just \$60 a barrel.

The move was designed to force Moscow to keep its fossil fuels flowing, ensuring the global energy market remained stable, while making sure the country earned substantially less from them. Initially, this hit the Kremlin in the pocket and has cost Russia around \$36 billion in export revenue it could otherwise have used to fund the war.

However, its effect has since been blunted, with Moscow's flagship export having risen to around \$70-\$80 a barrel over the past six months. Analysts warn that now virtually no barrels of Russian crude are being sold below the \$60 oil price cap.

According to experts, inadequate monitoring of transactions and a failure to clamp down on those flouting the rules have undermined the policy, and the country's oil revenue is bouncing back.

“The price cap itself is a really odd tool, and it's really dependent on there being a coalition of the willing to implement it,” Donovan said.

Moscow is exploiting loopholes that allow it to ship crude oil to countries such as China, Turkey and India to be refined into fuel that is then sold on to the EU and U.K. — both part of the G7 price cap. As long as the oil itself is handled by middlemen, neither the seller nor the buyer is actually breaking the rules.

The U.S. Treasury on Friday sanctioned Russia's largest shipping company and fleet operator as well as 14 crude oil tankers the company has an interest in. The administration argues this will make the price cap more effective because it will be more expensive for Russia to sell oil while still decreasing its revenues.

Adeyemo said the actions will force Russia to continue selling oil at \$60 per barrel or invest in creating its own ecosystem of ships and financial intermediaries to deliver oil outside of the price cap.

“From our standpoint, those investments in buying tankers is money they can't invest in buying tanks,” he said.

The people vs. the punishers

Many sanctioned Russian individuals and companies are turning to the courts for relief, and in some cases they are succeeding — embarrassing governments and straining their legal resources.

This has been less of a problem in the U.S., which has a long-established sanctions regime that is well-staffed, proactively prosecutes and has global reach. But its neighbor Canada is increasingly fighting off these challenges with a far less developed regime and a small sanctions team that has only reached double digits in recent years, compared with the hundreds working in the U.S.

Canada targeted thousands with sweeping sanctions from industrialists to oligarchs. But its efforts have been challenged in court by everyone from Russia's largest mobile network operator, MTS, to Aleksey Isaykin, a one-time ally of Putin and founder of Volga-Dnepr, which owns a confiscated cargo plane that's been grounded at a Toronto airport since February 2022.

They argue they were sanctioned in error, and Ottawa, which is not transparent about the evidence it relies on, has been forced to quietly delist a series of individuals.

Successful plaintiffs have included the ex-wife of a billionaire connected to Russia's largest private bank, former oil and banking officials and the Serbian model and pop star Aleksandra Melnichenko. Her husband, Andrey Melnichenko, whose superyacht was confiscated by Italy, recently refiled in court to appeal his sanctioning.

Canada delisted businessperson and former pro cyclist Igor Makarov last August after the billionaire provided evidence that he hasn't lived in Russia since 2013 and had renounced his citizenship. But Ottawa relisted him the same day, just as it closed a sanctions loophole around changes to citizenship. The foreign ministry warned at the time that "wealthy oligarchs" were finding "increasingly creative ways" of slipping free.

Canada's Global Affairs has maintained its sanctions have been effective in concert with its allies, saying in a statement: "Canada is committed to effective implementation of sanctions against foreign states, individuals and entities whose actions lead to grave breaches of international peace and security."

Lawyers for Russian billionaires and their family members also have sought to use courts to undermine the European Union's argument that they are complicit in Russia's war.

Metals tycoon Alisher Usmanov lost a case in early February. The Russian-Uzbek — estimated to have a net worth of around \$20 billion — argued the evidence against him was flimsily put together from news articles and not based on real research.

The Luxembourg court dismissed his arguments, saying the EU has no alternative tools at its disposal. "In the absence of investigative powers in third countries, the assessment of the Union authorities must, in fact, be based on sources of information accessible to the public," the judgment reads.

Four other oligarchs are also suing the European Union's intergovernmental arm, the Council of the EU, challenging an obligation to report assets they own, hold or control inside the bloc. They argue the Council cannot demand this information, because only national authorities have the legal power to do so.

Not SWIFT enough?

In the days and months following the full-scale invasion, the West cut off at least 10 Russian banks' access to the Society for Worldwide Interbank Financial Telecommunication. SWIFT is essentially a messaging system that lets financial institutions communicate transaction information, and cutting off the banks' access was touted as a major blow to Russia.

But many Russian banks, including some key ones involved in energy transactions, have not been barred from SWIFT. According to the Atlantic Council, "most of Russia's regional and smaller banks, over 300, still have access to SWIFT, enabling Russia to conduct cross-border payments and transactions for imports and exports."

"The fact that the shut out was not universal has left ample scope for Russian banks to continue to benefit from SWIFT messaging services," said Keatinge of RUSI Europe.

Russia has sought alternatives. For instance, China, wary of its dependence on Western systems, is busy conceiving its own banking messaging system to compete

with SWIFT. This isn't up and running yet, but the Russians meanwhile pay for their imports in Chinese yuan. In 2022, 20 percent of incoming trade was paid for in Chinese currency, up from 3 percent a year earlier. So even when banned from talking to Western banks, Russia finds channels to fuel its appetite for imports.

Pressed on the narrow scope of the de-SWIFTING, the senior Biden administration official stressed that major banks involved in international transactions were cut off. De-SWIFTing also is one of a range of Western tactics making life harder for Russian banks, the official said.

But the official acknowledged that keeping global energy prices stable was a key reason some banks have retained SWIFT access.

“Our strategy has always been: Let's not make it impossible to purchase Russian energy in this context, because we think that that's going to be counterproductive,” the official said. “You'll put energy prices through the roof, and Russia ... will actually benefit from those energy prices. So we're trying to strike that balance.”

Like other elements of the Western pressure campaign against Russia, it could be years before the true impact of de-SWIFTING is understood.

Nahal Toosi and Ari Hawkins reported from Washington; Koen Verhelst reported from Brussels; Gabriel Gavin reported from Yerevan; and Kyle Duggan reported from Ottawa. Douglas Busvine contributed reporting from Berlin and Adam Behsudi contributed reporting from Washington.

It is evident that Russia will want payback now that the intentions of the collective west to destroy Russia have been revealed to the Russia elite. Man, don't you think they will extract payback? Perhaps that is the real reason why the west worry about a Russian invasion of the European continent.

In that respect, there is reason for the west to fear. You poke the bear in the eye, expecting to kill it, and if the bear survives, you would expect a mauling in revenge.

Given that the military war has been lost, the sanctions war has floundered, and the political war will worsen with Biden losing in the Nov elections, there is a further serious risk that the role of the US dollar in the global financial system will be undermined. This will happen in the way as Putin had discussed it in the interview with Tucker Carlson. If the war against Russia fails, then we are deep into a failed unipolar system. BRICS will replace the G7 as the dominant multilateral trading system in the world. And global finance will undergo deep wrenching changes.

Everybody in the world will see that the strongest feature of the unipolar order – a unified financial system and the dominance of the US dollar – may become unravelled. The multipolar system will manifest itself powerfully in the global financial system. When the multipolar system comes into vogue, the Dollar will drop as the currencies of the top BRICS countries will become more widely used to replace the US currency.

In these circumstances, the American government, as Putin anticipates, will do everything it can to defend its currency. It depends on printing money for its maintenance of hegemony and military might. Money cannot be printed if the currency is not strong. Therefore, when the unipolar system fades away, the US government will defend the Dollar using measures such as raising interest rates and other measures which will attract capital inflows into the currency.

This is not a trend that is expected in western financial markets. Everybody is expecting the Fed to cut interest rates in 2024 due to the receding of inflation. And these people have bought into their own lie that the west is winning in Ukraine. The recent events on the Donbass battlefields, in which Russia is now evidently victorious, has led to the phenomenon of an upturn in US interest rates and the dollar since the beginning of the year. Who would have expected 2 year bonds to be at nearly 5 percent and the ten year treasury at 4.3 percent? Or the Japanese yen at 150.50 and the Euro at 1.0830?

Therefore, as I see it, if the Ukraine war is recognized to be lost, the US dollar will strengthen by policy means. It's coming. Watch out for it.

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Un-Influencer in a World full of Hubris