

Strategic Estimates



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Introduction

2021 will likely always be remembered for the year the global superpower was humbled in the graveyard of empires. After two decades of war the US reached the same position the British Empire and the Soviet Union before them: bleeding to death the longer they remained in Afghanistan. Whilst America's decline has been the subject of discussion and debate for over a decade the Afghanistan debacle has only added to the decline of US credibility. In *Strategic Estimate 2022* we assess what US goals were back in 2001 why they invaded the mountainous nation and how it all went wrong.

Donald Trump's presidency had a major impact on US relations and the nations global position, he even created a major divide domestically. The electoral success of Joe Biden has been seen as a stable hand by someone who has long history and experience in US foreign policy. He has now been president for a year and presented himself as someone who will mend US relations and heal the internal divisions in the US. In *Strategic Estimate 2022* we assess President Biden's first year in office and the impact he has had on America's global position.

In April 2021 the US National Intelligence Council published its latest report, Global Trends 2040, that assessed the medium to long term trends the US will need to navigate. It found the changing climate, ageing populations, disease, financial crises and technologies that divide more than they unite, all straining societies and generating "shocks that could be catastrophic." In *Strategic Estimate 2022* we assess what US intelligence agencies considers their nations main long-term challenges.

In 2020 Russia passed various laws that enshrined a political system that is dominated by the security class. In 2021 Russia worked to deal with the dissent across the country in order to ensure her policies endure. At the centre of this has been opposition leader Alexei Navalny who was arrested and imprisoned but received significant support from the west. Whilst Russia aims to be a global player domestic stability is critical for the Eurasian nation. After the results of Belarus's election was contested in 2020 Russia worked to integrate the Eastern Europe nation in 2021 in order to strengthen one of the last remaining nations Russia has influence over, especially since it lost Ukraine to the West. In *Strategic Estimate 2022* we assess Russia's relations with the US and where her endeavours are to be seen as a global power.

The Chinese Communist Party (CCP) celebrated its centenary in July 2021 and saw China's officials go to great lengths to hammer home the message that the CCP alone can restore China to what Beijing considers the country's rightful place as a global power. A number of challenges emerged in 2021 for China from energy blackouts to America's containment strategy. For the first time in decades China's population recorded her slowest growth after decades of huge population growth. This will have a major implication for China's economy and her ascent.

2021 saw the UK leave the European Union and she has been promoting global Britain. Scotland also began the process of leaving the UK with the Scottish national party (SNP) looking to hold a second referendum. Work also continued on the ascension members to the EU, talks continues with nations in the Balkans in order to discuss their future accession

and we assess what progress was made. Long term German leader and EU heavyweight Angela Merkel's term came to an end and we assess what can be expected from Germany's new leader.

The global economy continued with sluggish economic growth in 2021. During the year the vaccine roll-out continued but many in the world remain unvaccinated. 2021 also saw global supply chain bottlenecks with the shortage of labour, raw materials and energy. In November the world's leaders gathered in the UK for the climate COP26 summit in order to agree on how to tackle the world's environmental problems. Previous summits on the climate have yielded little results in Strategic Estimate 2022 we assess if anything was achieved. The Central American nation El Salvador officially launched Bitcoin as her national currency. This experiment and its outcome has global ramifications as many other nations watch as they consider their own digital currencies.

Population growth and its impact on the world's resources has for long been one of the world's key dilemmas. But in 2021 China and the US are confronting population stagnation and other nations face population decline as fertility rates drop. The world is now facing looming decline in births from China to Russia to Germany to the US who announced their census results during the year. Global demographics gave us the consumer driven world we have and its decline will have serious repercussions. Global demographics is the geopolitical subject of study in Strategic Estimate 2022.

Adnan Khan
31 December 2021
27 J Al-Awwal 1443





USA

The global hegemon was in a precarious position at the end of the Donald Trump presidency. The eventual victory of long-term and experienced senator Joe Biden means repairing America's image could begin as well as regaining the confidence of US allies. But one year on since becoming president, confidence in President Biden is at rock bottom.

Repairing America's Image



Joseph Robinette Biden Jr. was inaugurated as the 46th president of the US on 21st January 2021 and after the tumultuous 4 years of Donald Trump he brought his three-decade senate experience and 8 years of Vice Presidency experience with him. He would need all his experience as he inherited a divided America from his predecessor and during his campaign Biden promised to restore faith in America's democracy and repair America's global image.

In his inaugural speech he laid out his vision to unite the nation, a nation that was suffering from the COVID-19 pandemic that led to economic strife. President Biden looked to immediately reset the tone from the Trump presidency which consisted of insults, firings and rapid tweets. In many ways he brought the dullness back to the presidency with predictability and quietness, even admitting his speech in Crystal Lake, Illinois on 7 July 2021: *"I know that's a boring speech."*¹

In his first 100 days the \$1.9 trillion Covid Relief Bill was passed and the milestone of 200 million coronavirus shots was achieved. The Bill formed part of Biden's economic response which saw an expansion in the government's role in American public life. *"That was arguably one of his main jobs as president – to start getting this pandemic under control,"* said Dr Ashish Jha, dean of the Brown University School of Public Health. *"It's not fully under control yet, but it is clearly in much better shape than it would*

*have been had this incredible vaccination effort not happened."*²

But as the first 100 days passed the reality of the American system crept in. Biden's build-back-better investment infrastructure Bill was split into two Bills and got stuck in the nation's political machinery that required many compromises if it was to pass. The package became two infrastructure bills – a \$1 trillion package aimed at physical infrastructure, the other, a \$3.5 trillion package that encompasses social spending. The divide was not just from the republicans but from within the democrats with senators taking the position they would only support the large Bill once the smaller one was passed. The infrastructure Bill was passed in November, but the damage to Biden's presidency was already done.

The reforms on gun safety, immigration and police brutality all stalled. Legislation to expand voting rights and reduce the influence of money in politics and a bipartisan commission to investigate the 6 January insurrection at the US Capitol, were torpedoed by Republicans using a Senate procedural rule known as the filibuster. President Biden ran an election campaign that he would restore confidence in democracy after the Trump era that ended with the attack on capitol Hill, but by the end of Biden's first year his domestic agenda and position had hit rock bottom.

Foreign Policy

President Biden had his hands full on the foreign policy front when he took over due to the damage Donald Trump had done. Biden picked a foreign policy team that consisted of experienced and mainstream figures and unlike Trump he didn't need to fire any of them within weeks in office like Michael Flynn was.

Biden re-joined the Paris climate agreement as he promised as well as the World Health Organization (WHO). Talks began with Iran over her nuclear programme and the US led a global agreement on tax havens. Biden's team began mending relations with its allies and NATO, proclaiming at the G7 in June 2021 that 'America was back.'

China – Biden's position was that the US needs to 'get tough' on China and build a united front of US allies and to confront China's abusive behaviours and human rights violations. He described China as the 'most serious competitor' that poses challenges to the "prosperity, security, and democratic values" of the US.³ Biden's China policy was a continuation of Trump's hardline approach. The first meeting between US and Chinese officials took place in March 2021. Secretary of State Antony Blinken, National Security Advisor Jake Sullivan along with other administration officials met with the Chinese Communist Party Politburo member Yang Jiechi, Chinese foreign minister Wang Yi, and other Chinese officials in Alaska. What ensued was heated exchanges on China's human rights abuses, cyberattacks, China's threats against Taiwan, her crackdown in Xinjiang and Hong Kong.

In October 2021 the administration's China trade policy team-maintained Trump's approach of imposing tariffs and targeting China's trade practices. US Trade Representative Katherine Tai laid out an aggressive trade policy against Beijing on 4 October 2021 that enforced the phase-one trade deal, continuing with the tariff exclusion process and focused more on China's industrial policies as well as coordinating with allies.

Europe - President Biden promised to repair his predecessor's strained relationships with European allies. Biden made clear as president his unshakeable vow referring to an attack on Europe is an attack on

all, referring to the NATO mutual defence pact. He also pledged support for Ukraine's sovereignty. But relations with France deteriorated in September 2021 as the US signed a security pact with the UK and Australia. The agreement agreed to provide Australia with nuclear submarines and resulted in Australia cancelling her multi-billion dollar submarine project with France. French foreign minister Jean-Yves Le Drian called the deal a 'stab in the back.'⁴

Russia – President Biden during his election campaign accused Donald Trump of being soft on authoritarian leaders like Putin. President Biden's administration carried out a comprehensive review into Russian activities against the US and found Russia had interfered in the 2020 election although no evidence was found of ballot rigging or direct funding.

"President Biden's honeymoon period ended in July 2021 and as the period ended his approval ratings only declined as the year went on. But his approval ratings in August took a huge hit as the Taliban took power. Ex-president Donald Trump was more popular at this point."

The first meeting between President Biden and Putin took place in Geneva in June 2021. There was no joint press conference after the meeting but a joint press release that no one would win in a nuclear exchange and identified areas related to strategic stability, on which the US and Russia might cooperate. This meeting took place after the Biden administration waived sanctions against the Russian-owned Nord Stream 2 pipeline, but then imposed new sanctions in August 2021 against two companies involved in the Nord Stream 2.

President Biden's honeymoon period ended in July 2021 and as the period ended his approval ratings only declined as the year went on. His post honeymoon period saw the new delta variant take off in the US with deaths increasing and fears beginning to grow about the economy. But his approval ratings in August took a huge hit as the Taliban took power. Ex-president Donald Trump was more popular at this point.



The Afghan Withdrawal Debacle

President Joe Biden spoke from the Roosevelt treaty room in the White House on 14 April 2021, the same spot where President George W. Bush informed the American public that the US military had begun strikes in Afghanistan, announcing: *“I am now the fourth American president to preside over an American troop presence in Afghanistan. Two Republicans. Two Democrats. I will not pass this responsibility to a fifth... It is time to end America’s longest war.”*⁵

Trump had promised to withdraw US troops from Afghanistan but failed to do so and continued with the same strategy of his predecessors. Eventually Trump supported the peace process with the Taliban and appointed Zalmay Khalilzad as the US Special Representative for Afghanistan Reconciliation. He was able to pen the Doha Agreement in 2020 which agreed the withdrawal of US and NATO forces from Afghanistan within fourteen months, on the agreement that the Taliban would fulfill their obligations.

President Biden took office in January 2021 and made clear at the White house in April 2021 that he wanted to see the US withdraw from Afghanistan. President Biden made clear: *“We’re ending America’s longest war... We went for two reasons: one, to bring Osama bin Laden... The second reason was to eliminate al Qaeda... We accomplished both of those objectives — period.”* He then confirmed: *“Our military mission in Afghanistan will conclude on August 31st.”*⁶

From July 2021 President Biden confirmed he wanted US withdrawal complete by the 20th anniversary of 9/11. On 2nd July 2021 the US quietly withdrew soldiers from Bagram Air Base, which was their main military base throughout the war. She didn’t even inform the Afghan government about this who only came to know about it after the base was looted. The Taliban then expanded its military attacks and one district after the other began to fall. These districts were spread all over the mountainous nation and included districts where sworn enemies of the Taliban had long occupied. The world began to take notice due to the sheer speed at which the Taliban was expanding and how quickly villages, towns and districts were falling under their control. Crossings into surrounding nations as well as border districts were falling like dominoes. In July 2021 US intelligence assessments estimated that Kabul would fall within months or weeks following withdrawal of all American forces from the country, the security situation was deteriorating rapidly.⁷

On the 14th August 2021 President Biden put out a statement confirming the deployment of approximately 5,000 US troops to help with the evacuation from Afghanistan. He reaffirmed his desire to leave the region: *“One more year, or five more years, of U.S. military presence would not have made a difference if the Afghan military cannot or will not hold its own country. And an endless American presence in the middle of another country’s civil conflict was not acceptable to me.”*⁸ The day after Kabul was seized

by the Taliban Afghan President Ashraf Ghani had fled from the country. The US embassy was evacuated and America's acrimonious occupation came to a sorry end.

The backlash over Biden's handling, the sudden collapse of the Afghan regime, the lack of cooperation with allies and the abandonment of Afghans that facilitated the US occupation came thick and fast. Biden received bipartisan backlash. Former Secretary of Defence and CIA Chief Leon Panetta compared Biden's poor withdrawal planning to that of how former US President John F. Kennedy handled the 1961 Bay of Pigs Invasion.⁹

The speed at which Afghanistan descended into chaos and the White House's lack of repentance and flexibility left allies enraged. The G7 leaders, led by British Prime Minister Boris Johnson, pressed the US President to extend that deadline in order to get foreign citizens,

Afghan people who aided allied troops and other vulnerable groups out of the country. But Biden stood firm. America's allies - most notably in Europe - saw it the US was walking away, washing her hands of a crisis she played a large part in creating, with scant regard for the problems that doing so creates elsewhere. President Biden's Afghan withdrawal led allies such as Taiwan pondering her alliance with the US.¹⁰

Britain also slammed the American decision to leave Afghanistan, with Defence Secretary Ben Wallace saying: *"I felt that that was a mistake to have done it that way, that we'll all, as an international community, probably pay the consequences of that."*¹¹

The chaotic withdrawal saw US allies turn on President Biden and saw the US public lose confidence in President Biden with his approval ratings falling massively. Biden's reputation for foreign policy competence was shattered by the Afghan withdrawal debacle and the loss of American and Afghan lives.



Why did the US Invade Afghanistan?



After 19 years and 9 months and at a cost of over \$2 trillion the US backed regime in Afghanistan collapsed on 15 August 2021.¹² Whilst the collapse of the US backed Afghan regime was sudden and swift, this was in the making for some time. Talk of the US leaving and drawing down its troops had been around for years, with the US planning to abandon the regime since 2010, when it first began talking with the Taliban.

The US invasion of Afghanistan back in 2001 came on the back of US interests regarding Central Asia, which had for long been behind the iron curtain and within Russia's sphere of influence. When the Soviet Union collapsed in 1991 and five new independent republics emerged Dick Cheney described the region as the new Middle East due to her hydro-carbon fuel resources. When the Taliban took over Afghanistan in 1996 it brought the stability needed in Afghanistan by defeating the tribal warlords. But the Taliban dragged its feet on the hydrocarbon pipelines and was considering other options other than US oil corporations. As a result, regime change became the US strategy in Afghanistan – all before the events of 9/11.

The US plan was to overthrow the Taliban and install a new friendly regime, as it has done in Latin America, South-East Asia and the Middle East. As with the propped regimes of the past, such

regimes would run the country on a day-to-day basis and the US would pursue her strategic goals of pipelines and gaining influence in this case in Central Asia. Afghanistan was always a means to an end for the US never an end in itself. But the warlords the US put into power were corrupt, ineffective, incompetent and the costs multiplied as the years went on. The US invasion of Iraq from 2003 didn't help. By 2009 when Barack Obama took office the US was clear it couldn't militarily win and began informal talks with the Taliban, which turned into formal talks, which then turned into a peace treaty agreed in February 2020. The Taliban also concluded that it had drawn the US to a stalemate, and it saw talks as the ultimate way to get back into power. Once these talks were completed the Taliban expansion and takeover began and the US began pulling out her contractors and this was what ultimately led to the collapse of the Afghan regime.

Being the global superpower means the US must be everywhere to exercise its influence and the costs of managing Afghanistan were extortionate relative to the aims the US had. The US in 2010 also began engaging the surrounding nations to contribute to Afghanistan and the US would then manage from afar. This is what has taken place now in Afghanistan. It looks messy, it's embarrassing for the US, her politicians are falling over themselves to justify why

they did this, but strategically Afghanistan was always a means to an end for the US. It was never a project to spend 20 years propping up a regime. In his speech at the White House on 14 April 2021, President Biden made this clear: *"There are many who loudly insist that diplomacy cannot succeed without a robust U.S. military presence to stand as leverage. We gave that argument a decade. It's never proved effective.... Our diplomacy does not hinge on having boots in harm's way."*¹³

The US strategy of using Afghanistan in order to secure Central Asia required a stable government in Afghanistan. The regime the US established with warlords back in 2001 was a complete failure. For the US, if the Taliban can achieve stability in the country, this achieves US interests as the Taliban have no regional ambitions and lack the capability to project power beyond Afghanistan. Despite taking over the whole country, the Taliban are no threat to US strategic interests.





How Did the US Fail in Afghanistan?

Many are still trying to piece together how the world's superpower was humiliated in Afghanistan. Nearly 20 years, trillions spent and so many lives lost, how could the world's superpower with so many resources at her disposal be humiliated so badly. There is an answer to this very question given by a US federal agency itself.

An obscure US federal agency, the Office of the Special Inspector General for Afghanistan Reconstruction, or SIGAR established a project titled 'Lessons learned' back in 2009 to diagnose policy failures in Afghanistan. The agency interviewed hundreds of participants in the war, carrying out interviews over 13 years with various policy makers, soldiers, politicians and others that participated in the war in Afghanistan. The Post published some of these interviews after SIGAR delayed and resisted the requests for the material. The Washington Post fought a three-year legal battle under Freedom of Information requests and eventually SIGAR disclosed more than 2,000 pages of previously unpublished notes of interviews with 428 people who played a direct role in the war, from generals and diplomats to aid workers and Afghan locals. The Washington Post published their findings in December 2019 and Craig Whitlock of the Post compiled his detailed findings in his book – The Afghanistan papers. SIGAR even published their findings in early August 2021, just before Kabul fell to the Taliban.

The frankness of those who were interviewed in the lessons learned project is palpable. They were speaking frankly because they assumed their remarks

would not become public. SIGAR interviews are about failure and about lying about failure, and about how that led to yet worse failures. The consistent theme throughout the report and book is that the US never quite knew what it was doing in Afghanistan. Were soldiers there to combat Al Qaeda or turn Afghanistan into a modern Western-style democracy? The mission seems to have never been set, allowing US policy to drift for decades, and without a clear goal, the tactics changed as well. Troops were surged into the country and then pulled out. American dollars sloshed through the Afghan economy, earmarked for an almost infinite number of projects without an overarching goal, save to spend every dollar that Congress appropriated. US officials confessed to SIGAR that the war plans had fatal flaws and that Washington had wasted billions of dollars trying to remake Afghanistan into a modern nation.

Regarding the war itself the SIGAR confirms from those that participated in it and those that sent the US military to war that there was an explicit and sustained effort by the US government to deliberately mislead the public. Officials at military headquarters in Kabul—and at the White House—routinely distorted statistics to make it appear the US was winning the war when that was plainly not the case. All of those who were interviewed in the lessons learned project agreed there was no strategy despite the public announcements.

Regarding nation building, the US military was as confused about it as everybody else. US officials said they would not be nation building, but that's exact-

ly what they did. Instead of bringing stability and peace, the US built a corrupt, dysfunctional Afghan government that depended on US military power for her survival. All agreed there was no strategy despite public announcements. To compound this the US worked with the worst of the people in Afghanistan. Pentagon officials confirmed the US government took a “schizophrenic” approach with the warlords from the start and never straightened it out. The US continued to work with Abdul Rashid Dostum despite his reputation.

The American public is still trying to understand how the Afghan army that the US trained, funded and armed capitulated so rapidly in August 2021. SIGAR details how the US attempted to raise an army from the ashes in Afghanistan. Year after year, US officials reassured the American public that the plan was working and gave the Afghan forces rave reviews. But the US tried to create an army in the same manner as the US army, with military bases and infrastructure when the country had little of its own infrastructure. In the end the army only existed on paper as many just wanted to get paid as the economy was in freefall. Many officials also created ghost soldiers in order to pocket the dollars the US was dishing out.

Craig Whitlock in his Afghanistan papers book provides a detailed insight into the US war on opium in Afghanistan. The invasion of the poppy fields marked the start of Operation River Dance, touted by the US as a major escalation in her war on opium. It was a two-month eradication campaign where the Afghan government was lauded with praise and the US took credit. But Whitlock detailed that none of this was true and US officials, soldiers and Afghan officials all knew this too. The strategy entailed paying farmers to destroy their poppy crop, but they continued to grow them as others were paying them even more

to grow their crops, including Afghan government officials.

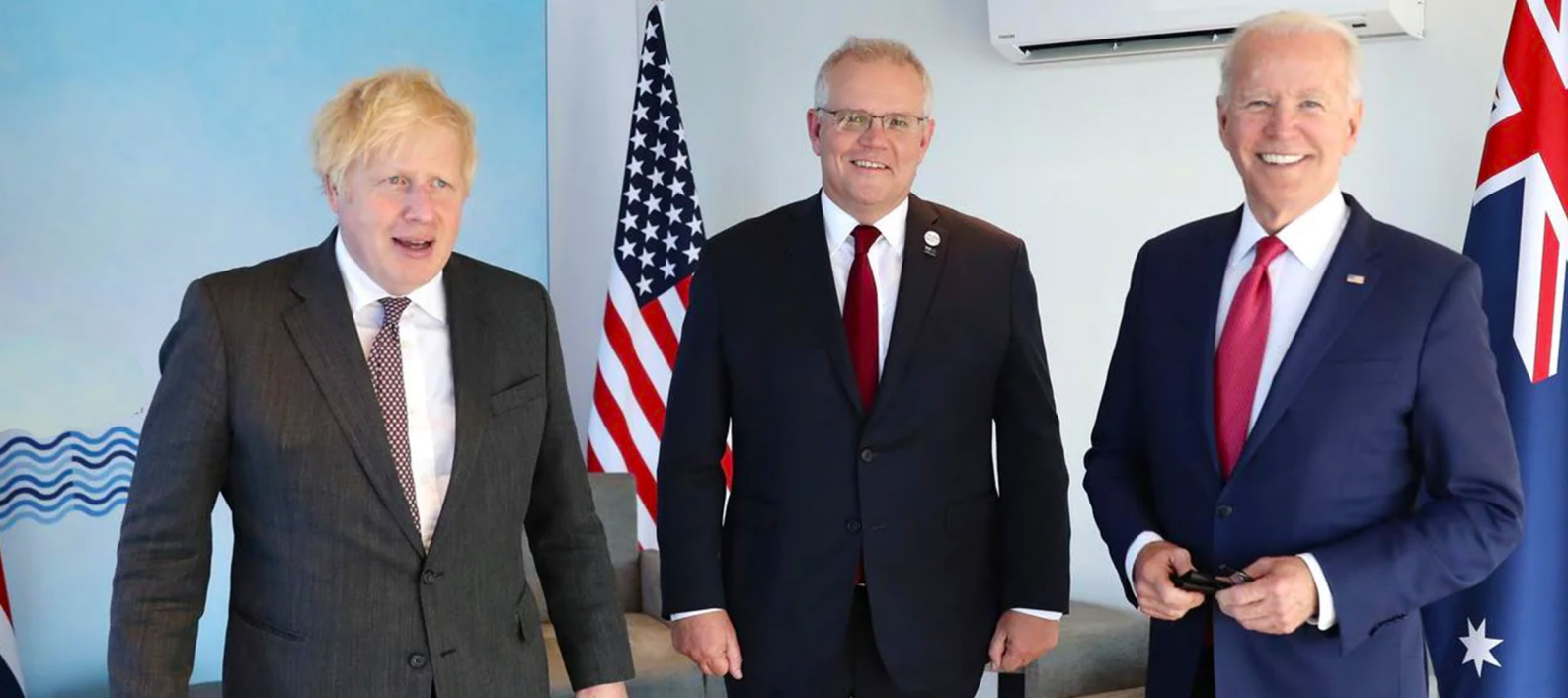
Barack Obama made Afghanistan his main priority in his election campaign. He believed the US had neglected the real war when it invaded Iraq. After conducting his own review, he believed like his predecessor the war could be won and appointed David Petraeus and General Stanley McChrystal to actualise the belief that Afghanistan could be won. Both generals developed a counter insurgency strategy that never really dealt with the underlying issues. The counter insurgency strategy was the same strategy attempted in 2004, but this time with a fraction of the troops. The McChrystal-Petraeus plan failed to determine whether they were actually fighting a war in Afghanistan, engaged in a peacekeeping operation, leading a training mission, or doing something else. Despite this glaring omission Obama and the US government put on a united face and kept saying to the public that things were going well.

The SIGAR interviews delve into the various infrastructure projects, schools, highways and social work to improve Afghanistan that the US constantly took credit for. The interviews highlighted US government approvals for so many projects that it could not keep track of them all. Turnover among USAID staff and its contractors was so high that the people who drew up the plans rarely stuck around to see them through to completion. Follow-up inspections were sporadic, in part because civilian aid workers needed military escorts to move around the country. Whilst the US had an endless pit of money all her projects failed, none of them made sense as they were merely to show progress was being made.

Craig Whitlock ends his book with a review of the Donald Trump strategy. He arrived at the conclusion that despite all the fighting talk his strategy was no different to his predecessors and the only addition was the lies used to justify staying in the country.

The book as well as the SIGAR treasure trove of interviews is full of the details that fill in the pieces that were not known and gives a lot of meat to the macro picture. The SIGAR interviews look at the Afghan occupation from all perspectives and this provides many details that were not known previously. All this makes it much clearer how the US has become the latest victim in the graveyard of empires.





The Battle for the Indo-Pacific

President Biden announced the new AUKUS agreement on 15th September 2021 between Australia, Britain and the US. It came as a surprise to many but is a major achievement for the US in her containment strategy over China. What was announced was that Australia will acquire, through defence collaboration with the US and the UK, nuclear propulsion technology to build, over the next two decades, eight nuclear-powered submarines.

The US, having withdrawn her troops from Afghanistan is now focusing on the Asia Pacific as her more critical theatre of operation. Though the theatre of focus has shifted, the policies of old remain. Just as the US bolstered Ukrainian defence capabilities (through intelligence sharing and \$2.5 billion in support of Ukraine's forces) to counter Russian expansionism into Europe, the AUKUS agreement constitutes US efforts to isolate China from the Asia-Pacific. Professor Li Haidong of Beijing's China Foreign Affairs University said the partnership *"could be described as the iron triangle in the Western camp."*¹⁴

China's maritime strategy vis-à-vis the South China Sea is built on the geostrategic value of this highly contested body of water. It is estimated to hold approximately 11 billion barrels of oil, 190 trillion cubic feet of natural gas, 10% of the world's fisheries and is the body of water through which 30% of global shipping trade flows. It comes as no surprise then that aside from her strategic capacity as a gateway for the Maritime Silk Road, China is eager to lay exclusive claim to sovereignty over the sea, well beyond the waters afforded to her under the the United Nations Convention on the Law of the Sea (UNCLOS)-defined Exclusive Economic Zone. This eagerness has in recent years assumed the form of a rapid construction of artificial islands in the Spratly Islands archipelago, to be used as a forward base for surveillance to complement China's ballistic and nuclear missile

bastion in Hainan Island.

The US has been considering novel ways to contain China, and to accrue the benefit of her ally in the Asia Pacific to this end. In 2011 a bilateral agreement between the US and Australia saw the establishment of a rotational presence of 2,500 US Marines in Darwin. In 2012, an independent report for the US military by CSIS recommended 'massively expanding a base in Perth for a US aircraft carrier and supporting fleet.' A decade on, this desire assumes the form of the AUKUS agreement.

Australia is located in a strategically significant location. To her north and east is the Pacific and to her west is the Indian Ocean. Australia sits right in the middle of the Indo-Pacific operational area, which is now America's top strategic priority. The US already has a base in Australia, which means she can build up supplies in any war with China, and Australia will become a staging ground for operations against Chi-

na as it's close enough to China, but far enough from China that will not allow China's military to be able to respond decisively. The sharing of nuclear technology will add to Australian operational proximity to China as nuclear-powered submarines, powered by a nuclear reactor instead of a diesel-electric engine, do not need to resurface in order to refuel. This allows for stealthier surveillance operations in contested waters, with a lower risk of detection.

The AUKUS agreement manifests a desire that Washington has long harboured to undertake her crucial pivot to the Asia Pacific in the context of the Sino-American rivalry of the post-Cold War period. In return, Canberra inherits a cutting-edge fleet of nuclear submarines that Australia could not have otherwise afforded and London, under her post-Brexit 'Global Britain' policy, has given the UK the best chance she will get at shuffling into a bolstered presence in the Indo-Pacific, under the auspices of AUKUS.





A PUBLICATION
OF THE NATIONAL
INTELLIGENCE COUNCIL

MARCH 2021



GLOBAL TRENDS

GLOBAL TRENDS

'A More Contested World'

Every four years, at the start of a new administration, American intelligence agencies put out a Global Trends estimate which is an assessment of where the world seems headed over the next two decades. In 2008, the estimate warned about the potential emergence of a pandemic originating in East Asia and spreading rapidly around the world. The latest report, Global Trends 2040, released in April 2021 found that the pandemic has proved to be “the most significant, singular global disruption since World War II. The report titled “A More Contested World,” finds that due to changing climate, aging populations, disease, financial crises and technologies will divide more than they unite.

The National Intelligence Council consists of all 18 US organisations that make up the intelligence community, including the National Security Agency (NSA) and CIA. This large body of intelligence specialists with access to an extraordinary array of privileged information invest considerable resources into figuring out where the world is headed. They have since the 1990's, every four years when the new US president enters office, published their findings for the next two decades. What makes them unique is the fact that no other nation does this, it also shows us what US intelligence is thinking, where they see the threats emerging from and this tells us a lot about the US thinking on global trends.

Its headline findings were revealing. The estimate concedes the arrival of the post-American world and sees no single nation controlling across all regions of the world. It also finds that rival powers will be jockeying for global power going forward. It also found the global pandemic has confirmed pre-pandemic economic trends such as global wealth maldistribution. It found that vaccine nationalism reinforced nationalism and polarisation. All this strained governance inequality and impacted international

cooperation. It also concluded the COVID response elevated the role of non-state actors such as the Gates Foundation and private companies.

The report grouped the world's key challenges into 5 broad themes:

Global challenges that don't respect borders such as – climate change and disease.

Fragmentation – Despite the world becoming more connected, people are not. People are resorting to nationalism and things that divide them rather than unite them.

Disequilibrium – Big mismatch at all levels between challenges and needs of the people with the systems and organisations to deal with them.

Contestation – greater tensions between communities and within them.

Adaptation – People will need to adapt to new tech, new economies and disruption.

The report then spent most of its pages covering what it believes will be the major crucial trends for the next two decades.

Demographic Challenges Ahead

The estimate believed the global population will continue to grow and should reach 9.2 billion by 2040 and that more and more people in the world will be older. It also concluded that 75% of people are expected to be urban compared to the current 56% of the global population. This will be a major challenge to first world budgets, infrastructure, social services and migration will further create tensions. It believes Africa and Asia will be the only areas with population growth whilst much of the world will experience population decline due to declining fertility rates. Whilst we have been told for long there were too

many people in the world and there would not be enough food or energy for everyone, the developed world is already seeing population decline which raises so many issues such as taxation, pensions and the size of the labour force.

The West are in the worst position as their populations are already in decline and rely on immigration. They all have a mixed record with integrating immigrants.

Uncertain Economic Future

The national intelligence estimates economic story was even more depressing. It saw high sovereign debt leaving governments with little room to meet their citizen's needs. It also believes the global rules-based system will become outdated as inequalities get worse. Despite first world nations having the highest GDPs these countries are the most indebted. In the top 10 you have, in order of debt, the US, Japan, China, Italy, France, UK, Germany, India, Brazil and Canada, they also have the worst wealth inequality in the world too.

The global rule-based system has been struggling

because the US has not just flouted the rules it imposes on others, but it's also outright broken them. The invasion of Iraq saw the US sidestep the UN and then began to trample upon Human Rights and many other such values. But it was Donald Trump that put the final nail in the coffin of global liberal order when he mentioned at every opportunity that the liberal order no longer works for the US and he began taking actions that undermined the order. The global liberal order has really been undermined by its creator, the US.

The Climate Challenge

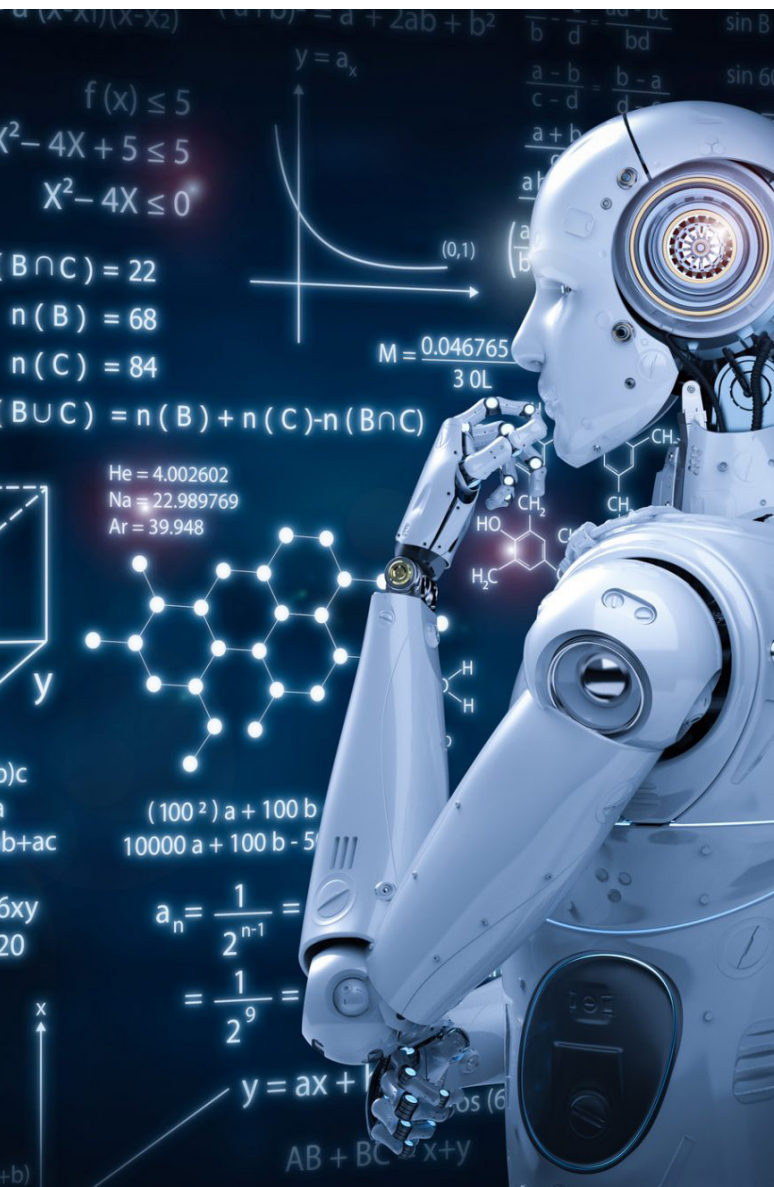
The estimate covered the environment and found the climate has generally been ignored in previous publications but is now seen as transforming global politics. It concluded that governments across the world make pledges but don't stick to them and that decarbonisation is happening at too slow a pace. The transition from fossil fuels is needed but this impacts geopolitics and this has been getting in the way. The estimate concluded higher temperatures are leading to melting arctic ice and sea levels rising which will impact land use, water use and human health.

Disruptive Technology

The global trends 2040 report covered the major trends in technology and saw AI, network computing, machine learning, virtual reality, robotics, nanotechnology, 3D printing, space tech, smart materials, biotech and others all transforming human life. It believed all these will exacerbate strategic competition between the US and China and such new tech will also disrupt existing industries and jobs. It saw space as being the new arena of competition with China becoming the new space power.

The four trends of demographics, economic inequality and debt, the environment and disruptive technology will produce a more contested, fragmented, and turbulent world. Politics will become more polarised and governments will struggle to meet expectations.

What was also interesting was what was missing from the report. There was little on ideology and the failure of politics in much of the developed world despite capitalism or liberalism as a system being seen as rigged by most and just not working for the majority.





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INTELLIGENCE COUNCIL

MARCH 2021

Scenarios for 2040

A World Adrift

The international system is directionless, chaotic, and volatile as international rules and institutions are largely ignored

Seperate Silos

The world is fragmented into several economic and security blocs of varying size and strength, cantered on the United States, China, the EU, Russia, and a few regional powers, and focused on self-sufficiency, resiliency, and defence

Tragedy and mobilisation

A global coalition, led by the EU and China working with NGOs and revitalized multilateral institutions

Competitive coexistence

The United States and China have prioritized economic growth and restored a robust trading relationship

Renaissance of democracy

The world is in the midst of a resurgence of open democracies led by the United States and its allies.



GLOBAL TRENDS



9/11: The Waning of a Superpower?

The 11th of September anniversary in 2021 was the 20th anniversary of the GWOT (Global War On Terror) and it will forever be remembered as a critical juncture in world history. But two decades on the global superpower has lost a lot of the credibility it had. The US position in the world rather than being stronger has weakened, especially with the military withdrawals from Afghanistan, whilst Iraq is not exactly a success story in nation building. Today, Americans are far more pessimistic about America's global position than even after 9/11.

The US emerged as the sole superpower after the fall of the Soviet Union in 1991. The 1990s was a unique moment after the decades long Cold War. The US had no peer competitor and could shape the world to her liking. Globalisation on steroids is what took place, with American companies entering markets that were for long behind the iron curtain and India was welcomed into the global free market and US corporations expanded around the world. Central Asia was seen as the new Middle East with her huge oil and gas reserves and new pipelines were on the horizon to bring this energy to international markets. None of this would be possible without a stable government in Afghanistan, which would transpire in 1996 when the Taliban captured Kabul. The support the US provided to the Mujahideen in the 1980s against the Soviet invasion of Afghanistan was morphing into a major problem by the mid-1990s as many of these fighters turned against the US and her allies after the Soviets were defeated and as their demand for a Caliphate grew.

The neocons in the US envisioned a substantial military presence in the Middle East. In their project for the New American Century, they stated: *"The United States has for decades sought to play a more permanent role in Gulf regional security. While the unresolved conflict with Iraq provides the immediate*

*justification for a substantial American force presence in the Gulf."*¹⁵

Despite America's political, cultural and economic strength the neocons who came to dominate US policy making in the 1990s saw a substantial expansion of US military presence across the world and regime change in a number of key nations as the best use of US power. They recognised the opposition against this from the US public: *"Further, the process of transformation, even if it brings revolutionary change, is likely to be a long one, absent some catastrophic and catalyzing event – like a new Pearl Harbor."*¹⁶ Regime change in Afghanistan and Iraq was on the US agenda from the mid-1990s and the events of 9/11 became the pretext to advance these ambitions.

"Two decades into the 21st century US credibility is in tatters and the values she was exporting are being questioned by her own people. The US has had very few foreign policy successes in the 21st century and the American century seems like a thing of the past. Even Francis Fukuyama feels silly about his "end of history" remarks today."

The attacks on the Twin Towers on 9/11 saw a whole industry emerge around terrorism. The US launched the global War on Terror as a result of the attacks. However, terrorism, the use of terror or violence is a tactic, that has been utilised by a wide array of individuals, groups and states and something that has existed throughout history. Terrorism did not come into existence on the 11th September. Terror or violence transcends across various fault lines and there is no single creed, ethnicity, political persuasion

or nationality with a monopoly on terrorism. Individuals and groups of individuals from almost every conceivable background from late Victorian-era anarchists to tribal clansmen to North Korean intelligence officers have conducted terrorist attacks.

Despite this, the US launched a war against terror which saw it invade Afghanistan and Iraq as well as launch drone-strikes against many other nations in undeclared wars. The US President George W Bush justified the invasions by declaring securing freedom and democracy in America requires establishing these values in other parts of the world, even if it was by force.

The result was truly catastrophic as the retaliation led to a devastating war for two decades – it is almost darkly poetic that the occupation culminated with the restoration of the ousted regime in Afghanistan. The impact spread throughout the Muslim world as Muslims found themselves at the receiving end of Western incursions. Individuals tagged as ‘potential extremists’ filled the cells at America’s concentration camp – Guantanamo Bay and Abu Ghraib, with many still incarcerated.

Amid all the heat, the war on terror saw Western nations enact various laws that targeted their Muslim citizens. Using anti-terror laws mainstream Islamic concepts were outlawed and restrictions were placed upon Muslims. Muslim loyalty to the national histories and values in the nations they were residing in was turned into a stick, to force Muslims to integrate.

"The failure of the war on terror has made many see the US as a colonial warmonger who has no problem torturing, massacring and working with the worst dictators in the world. In the defence of her values, the US abandoned them. Now it remains to be seen if any other power can take advantage of America’s overreach and challenge her in areas of the world where the US has long been dominant."

Twenty years after the US launched the war on terror, the costs stand at \$8 trillion and 900,000 deaths, according to a report from the Costs of War project at Brown University.¹⁷ The war on terror was the first attempt after the Cold War to export Western values across the world. After the demise of the Soviet Union in 1991, America found herself in a unique

position—she was not only the world’s leading state, but also the world’s lone superpower.

Two decades into the 21st century US credibility is in tatters and the values she was exporting are being questioned by her own people. The US has had very few foreign policy successes in the 21st century and the American century seems like a thing of the past. Even Francis Fukuyama feels silly about his “end of history” remarks today.

In 2008, the US National Intelligence Council admitted for the first time that America’s global power was indeed on a declining trajectory. In one of its periodic futuristic reports, Global Trends 2025, the Council cited *“the transfer of global wealth and economic power now under way, roughly from West to East”* and *“without precedent in modern history,”* is the primary factor in the decline of the *“United States’ relative strength—even in the military realm.”*¹⁸

America’s exceptionalism rapidly evaporated after the fall of Baghdad in 2003. The US was embroiled in a protracted guerrilla war that has bled her and resulted in her becoming overstretched. America’s military prowess, the bedrock of her global position, has been undermined in the graveyard of empires by the Taliban.

The failure of the war on terror has made many see the US as a colonial warmonger who has no problem torturing, massacring and working with the worst dictators in the world. In the defence of her values, the US abandoned them. Now it remains to be seen if any other power can take advantage of America’s overreach and challenge her in areas of the world where the US has long been dominant.



Conclusions

President Joe Biden had his work cut out for him when he replaced Donald Trump as President. President Biden made progress in fixing the transatlantic relationship as well as US relations with NATO and its members. But the debacle of the Afghan withdrawal hurt US credibility especially with allies who have long relied on US security guarantees. The US made progress in her containment strategy for China by enlisting the UK and Australia into a new security arrangement. This strengthens the US as it attempts to halt China's expanding influence in South East Asia. Questions remain about the sustainability of the US as a global power with the myriad of challenges she faces and her haphazard way of dealing with them.

2022



President Biden's Declining Ratings

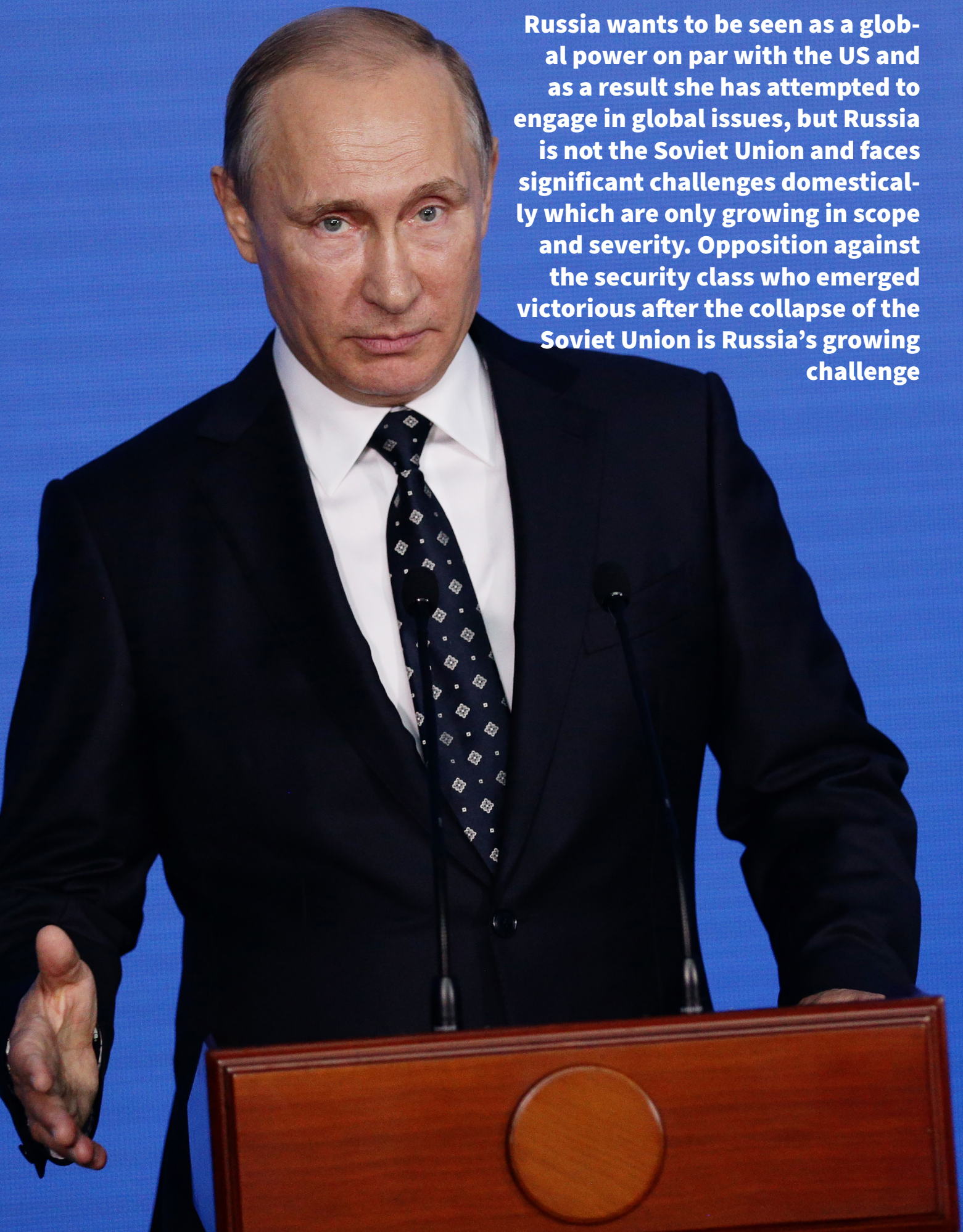
President Biden was meant to be the experienced commander in chief, who was going to bring stability to the four years of President Trump who ran the White House like a reality TV show. But Biden's approval rating has been gradually decreasing as his first year wore on. The rise in COVID-19 deaths from the summer of 2021. President Biden's inability to connect with the millions that voted for Donald Trump, who continue to believe the election was stolen, do not help his presidential ratings. Despite the US public for long supporting US military withdrawal from Afghanistan, the chaotic and disorderly retreat hurt Biden. In 2022 Congress heads to the midterms, where the Democrats hold a slim 220-212 majority. Eight democratic senators are retiring from politics altogether, which raises the real prospect of the Democrats losing both houses for the remainder of their term.

US credibility

American credibility was already rock bottom as Donald Trump's term finished. The image of the US has suffered across the globe and her reputation has declined further among many key allies and partners. Across several countries, the share of the public with a favourable view of the US has reached her lowest in the last two decades. Being seen as the global superpower and having influence with different regions of the globe, this has now weakened over the last few decades. The chaotic withdrawal from Afghanistan has just added to the underlying trend. The challenge for the US is another nation could take this position as her credibility declines. The US president will have his work cut out to reverse this trend.

Russia

Russia wants to be seen as a global power on par with the US and as a result she has attempted to engage in global issues, but Russia is not the Soviet Union and faces significant challenges domestically which are only growing in scope and severity. Opposition against the security class who emerged victorious after the collapse of the Soviet Union is Russia's growing challenge





Has Russia's Social Contract Run Its Course?

Tens of thousands across Russia in January 2021 took to the streets to protest against the arrest of anti-corruption activist Alexei Navalny who has come to represent the opposition to Putin and the security class that dominate Russia's political and economic system. Opposition to the security class has grown in the last decade and forced the Kremlin to crack down on dissent. Some of the opposition are supported by the West but much of it is due to Russia's domestic situation which has seen the lives of many not improve, something Putin long promised.

Vladimir Putin has been in power since 1999, coming to power when Russia was in the midst of her worst crisis. The collapse of the Soviet Union saw the country torn apart and Russia suffered from a decade of suppression as oligarchs, the mafia and Western leaning liberals fought over the country. The last decade of the Soviet Union was also a miserable one for many Russians as poverty and long queues for food and goods only got worse.

Whilst the Soviet Union promised a utopia, Putin promised to remake Russia, turning it into a prosperous country and a world leader in the 21st century. This was to be achieved by converting the Russian economy into a modern economy. Russia was at the beginning of the 21st century dependent on energy exports for her economy but the price of fossil fuels was not set by Russia and was therefore out of her control. From 2008 to 2014 oil prices increased from \$40 a barrel to over \$100 a barrel. Russia's breakeven point to balance her budget is \$88 a barrel. For every dollar drop below this breakeven price Russia loses \$1 billion. When oil prices plunged in 2014 her reserve funds that comprised the windfall from the high oil price era were depleted.

Putin's successive plans to modernise the economy relied almost entirely on oil and gas exports. Attempts to diversify the economy all failed and since 2008 the Russian economy has remained around the same size. Today, Russia's economy is more dependent on energy for her economy than the Soviet Union was.

The social contract between Putin and the Russian people was making Russia rich, and whilst the Russian presence in Syria and now Libya gives Russia global respect, the lives of Russians has not improved. Today, over 17 million Russians live in poverty and much of the country's industries and big businesses are in the hands of those loyal to Putin. With much of the economy beyond the reach of most citizens, opposition has steadily grown against Putin from the young to the middle aged. The Kremlin's support base was for long within the older segment of the population who experienced the last decade of the Soviet Union and the decade of chaos in the 1990s and welcomed Putin's centralisation to deal with the oligarchs and to stop the rot. But with the economy struggling in 2018 the Russian retirement age was increased in order to cut spending on pensions.

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Russia's previous rulers all resorted to using the secret police and suppression to maintain control. With opposition growing to Putin due to decades of failed promises, the familiar story of cracking down on dissent and all opposition is once again taking place in Russia.

A Security Service with its own state

Since 1999 Russia has been dominated by a security class who dominate the country's security, military, industry and key business sectors. It is these levers of power that have allowed this small cabal of Russian nationalists to dominate Russia and direct the country to dominate her periphery and be recognised as a world power.

Domestically, Russia United – the ruling party had kept the presidency and regime to itself, winning successive elections. The legislative branch and State Duma are elected on the basis of proportional representation with the threshold for entering the Duma currently set at 5% of the total vote. As a result, there are only around 5 parties that sit in opposition with the ruling party usually taking 75% of the Duma. The opposition parties are a mixture of parties that

have a long history whilst others are fairly new. The opposition in the Duma has always been pro-regime and usually rubber stamp the ruling party's policies. This opposition has small bases of support but their numbers are altogether small even if they coordinate their actions in the Duma, United Russia's successive majority guarantees the passing of any measures.

There is then the non-systemic opposition that has no representation in the Duma. Major political parties considered to be part of the non-systemic opposition include Yabloko and the People's Freedom Party (also referred to as PARNAS), along with the unregistered party Russia of the Future and Libertarian Party of Russia. This opposition ranges from liberals to socialists to nationalists and monarchists. What unifies them is their opposition to Putin and corruption in the regime.

With the security class acting as a deep state using the country's resources and using the public tools: opposition has been virtually impossible. Street protests and social media have been the only avenues to challenge Putin's grip and United Russia's dominance of the state.





Russia's Most Famous Political Prisoner

The case of anti-corruption activist Alexei Navalny who has received global attention shows the struggles of real opposition activists. Alexei Navalny, born in 1970 became politically active in 2000 when the threshold to enter the Duma was increased. Navalny joined the Russian United Democratic Party Yabloko, but recognised the law was stacked against Yabloko and Union of Right Forces, and decided to join anyway.

It was the 2011 parliamentary elections where Navalny's popularity grew as he organised and led demonstrations against the elections due to fraud. Navalny was imprisoned for 15 days with 300 other activists for defying a government official. The arrest and subsequent release transformed Navalny from a blogger to political activist.

At the end of 2011, he helped lead a demonstration, estimated at 50,000 people, which was much larger than the previous post-election demonstration. Speaking to the crowd, he said: *"I see enough people to take the Kremlin right now."*¹⁹ Navalny stood for the Moscow mayoral elections in 2013 and subsequent parliamentary elections as well as a number of municipal elections and used the platforms to target corrupt officials and the ruling party. Though he was never successful, these campaigns built his profile as being an organised activist that could make life difficult for officials who were aligned with the ruling party.

Navalny established the various offices and branches across Russia, especially in areas of Russia which had fallen into disrepair after the collapse of the Soviet Union. The people's alliance was established in 2012, which was an alliance of various centrist parties. It was this network that would allow Navalny and his supporters to undertake large protests later.

The Kremlin tried various tactics against his growing polarity with an embezzlement case in 2013 where he was found guilty and sentenced to five years in prison which was subsequently suspended upon appeal. Navalny came to global prominence when he nearly died in August 2020 when he was attacked with a Novichok nerve agent in Siberia. Navalny's team had him flown to Berlin where he eventually recovered. This was a desperate move from the Kremlin against an activist who had not made any critical inroads against Putin. Large protests taking place in 2020 in Khabarovsk in Russia's Far East and Alexei Navalny's organisation was raided on espionage charges. This

crackdown on the opposition was just days after the vote for constitutional reforms that allowed the suppression of the opposition by the regime.

Though the actions were against Navalny as a rising star, he was far from a figure with widespread support that could bring down Putin. The poisoning of opponents has usually been a tactic reserved for former KGB agents who become dissidents in Europe. This was the case with Alexander Litvinenko in the UK in 2015 where he was poisoned and Sergei and Yulia Skripal in 2018. It would seem the protests against President Alexander Lukashenko in Belarus due to his disputed electoral victory as a backdrop have made Putin consider Navalny as the only person capable of pulling off similar protests in Russia due to his network offices across Russia.

Navalny returned to Russia on the 17th January 2021 and was immediately detained and then charged with breaching the parole terms of his suspended sentence. This suspended sentence was replaced with a prison sentence, requiring Navalny to remain in prison for two and a half years.

The US continues to invest in the repeated cycles of protests including providing Navalny with wide media coverage, but it was Putin's heavy-handed tactics that turned Navalny into a national hero. This may in the long run break the barrier of fear and undermine the image of the regime, weaken its support and reduce Putin's popularity.

Soon after Navalny's arrest, his group released a video that showed a palace that allegedly belonged to Putin. The Western media gave this significant coverage leading to the views of the video to exceed 85 million hits. This led to mass protests across Russia including cities that had never had protests before. The protests were overwhelmingly from the youth, who were not around when Putin salvaged the country in the early 2000s.

The crackdown on Navalny and wider dissent shows the Kremlin's methodical resolve to use all levers of her power to crack down on dissent. Dissent in this case is anything against Putin's policies and his worldview. The imprisonment of Navalny forms part of the Kremlin's crackdown on the 'non-systemic'

opposition forces, of which Navalny is the leader. But Navalny and much of his organisation failed to make any gains in the September 2021 Duma elections and have been increasingly marginalised and will now need to wait until the 2024 presidential elections for the hope of any breakthrough, which looks very unlikely at the moment.

Navalny and much of the 'non-systemic' opposition receive significant support from the West, but for the moment this has not tipped the balance in the favour of the opposition. The 'non-systemic' opposition have shown they can organise large protests in order to undermine the grip of Putin, but without broader support from other sections of society as well as support from the industrial, security or the economic players then Navalny will remain as a problem, but not one that can impact Putin and the security establishment.

However, although the activity of Navalny and his team have demonstrated adequate ability in triggering the protests thanks to America's help, and in undermining the popularity of Putin and his ruling party, Navalny is unable to topple the current regime as he does not enjoy the support of the political and economic elites at the domestic level. The US does not have any influential personnel within the key ministries and institutions, such as the interior ministry, the army or security agencies, to provide Navalny and the protests with the appropriate support to topple the regime.

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US-Russia Relations: When Putin Met Biden

During the Cold War, the summits that took place between the Soviet Union and the US attracted global attention as the outcome from these summits had global implications. US President Joe Biden and Russian President Vladimir Putin had their first summit on the 16th June 2021, but the global context this summit took place in is very different to the bi-polar world of the past. Today's Russia is not the Soviet Union, and the US is not the power it was two decades ago as it faces the rise of other powers, especially China. Despite President Trump's relationship with Putin the underlying strategic rivalry remains between both nations with China now a new element to the relationship.

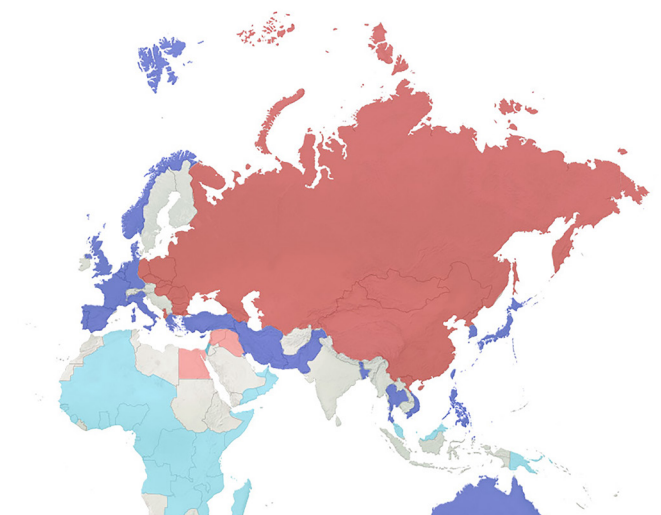
Despite the US support for Russia during WW2, which included providing significant supplies of military equipment to take on the Nazi war machine, when WW2 ended very quickly relations turned antagonistic as Russia's borders increased all the way to Germany in the West and all the way to Afghanistan in Asia. The Soviet Union began supporting proxy guerrilla groups, arming and training the developing world and financing non-state actors in order to create a global revolution. The US created a containment line from Norway down to Turkey, through Iran, Pakistan all the way to Japan in order to contain the spread of communism. The Cold War never led to direct conflict between the two powers but took place through proxies in various regions and theatres. Despite the few summits between both nations relations remained tense as both were competing to establish a world in line with their ideological beliefs.

At the end of 1991 the USSR collapsed, 15 new republics emerged, and Russia's border moved from Afghanistan back to the deserts of Kazakhstan and in

the west from Berlin to Ukraine - over 700 miles east. Under the guise of globalisation and shock therapy economics, global institutions such as the IMF and World Bank moved into former Soviet territories. A number of former communist bloc nations joined the EU and NATO, and US energy companies began to see Central Asian energy, long behind the iron curtain as the new Middle East. The colour revolutions were further used to bring pro-Western leaders to power in Ukraine, Kyrgyzstan and Georgia.

Russia's situation began to change from the late 2000s when the security class were able to get back into power after the struggle between various internal factions finally saw a victory for the security class over the pro-West technocrats and the mafia. Putin, who was from the security class, was able to weaken the oligarchs, re-centralise the country and the country's mineral resources and bring to an end nearly two decades of chaos in Russia. When Russia sent her armed forces into Georgia in 2008, the world, including the US, took notice. Russia began to push beyond her historic borders to regain the former Soviet republics and this was going to bring it into conflict with the US.

US Cold War Containment Strategy



Little Russia

Whilst Russia has once again become an important player in the world, it is not the Soviet Union and therefore does not challenge America's global position. It lacks the capabilities to do so. Russia continues to project an image of strength and shows it's a global player but the summits, meetings and talks since 2000 have not been on the same basis as the US-Soviet summits of the Cold War era. These were of equal powers, with their own blocs where they dominated different regions of the world. Today's Russia is extremely far from this reality and the US only sees Russia as a regional power who can project power into the Baltics, Eastern Europe, Caucasus and Central Asia – all regions Russia shares borders with.

When Russia invaded and occupied Crimea in 2014 the US moved NATO and placed sanctions on Moscow which has hurt the Russian economy. Relations further deteriorated when Russian organisations were accused of interfering in US elections and successive regimes expelled diplomats. Even President Trump's positive attitude of Putin being a strongman didn't see an easing of sanctions. Under Trump the sanctions increased, justified on Human Rights abuses and the arrest and imprisonment of pro-democracy activists.

The China Factor

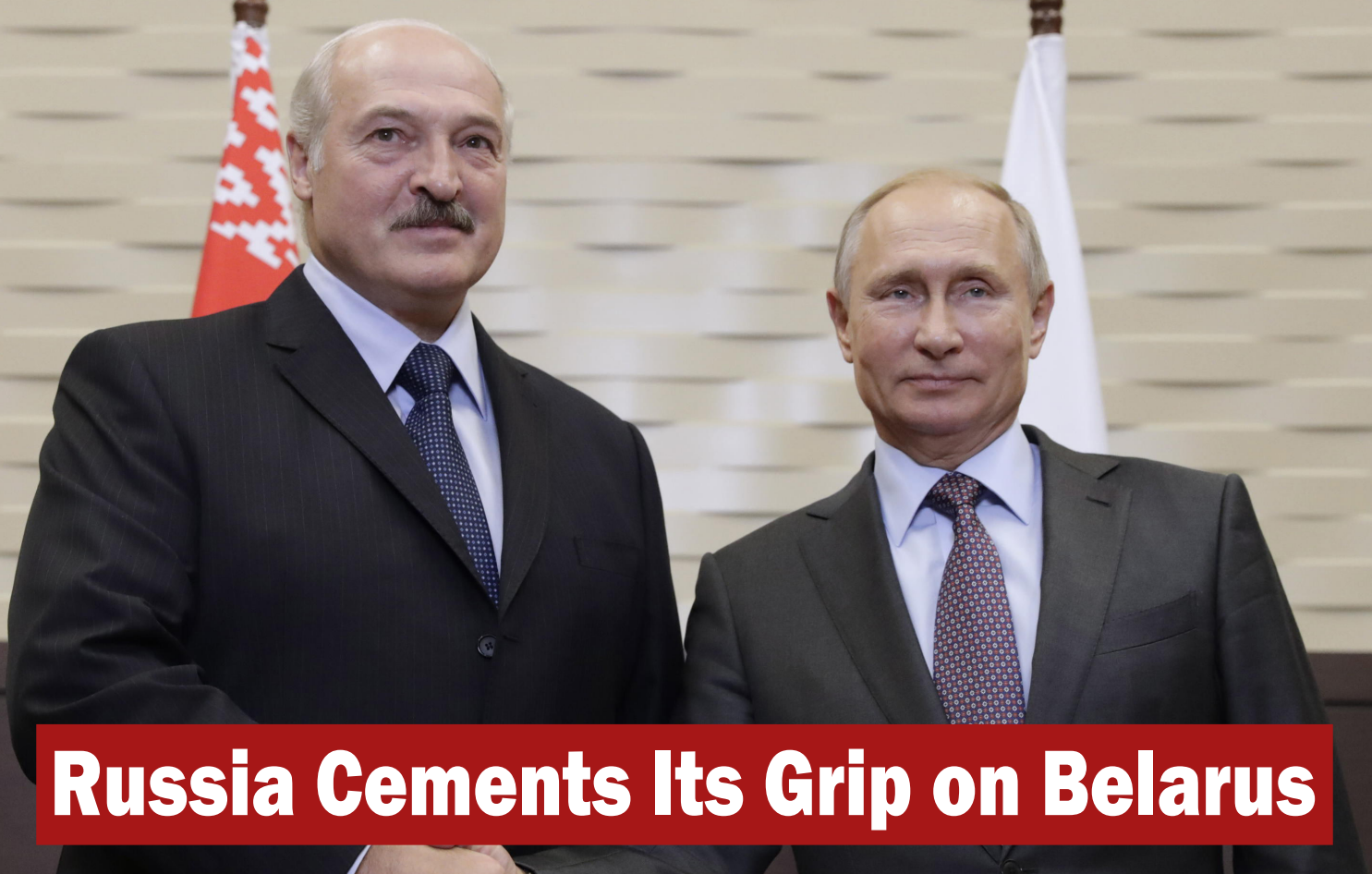
It was in this negative light the Biden-Putin summit took place in Geneva on the 16th June 2021. Little progress was made on key issues. The summit was scheduled to last for four hours but was over in two hours.²⁰ There was no joint press conference after the summit, but rather individual press conferences took place and a vague joint statement about no one winning in a nuclear war and the START III treaty. It was

President Biden that called for the meeting between the two and with little progress being made it would seem the meeting was a complete failure.

The summit took place with a rising China and with US containment strategy in the Far East struggling to contain China's attempt to dominate Southeast Asia. The US has for long seen Russia as a possible counter to China. Like what the US achieved during the Sino-Soviet split when it was able to win China against Moscow, today the US is interested in having Russia play this role. This strategy was laid out by Zbigniew Brzezinski, the former National Security Advisor to President Jimmy Carter back in 1998: *"the most dangerous scenario would be a grand coalition of China and Russia... united not by ideology but by complementary grievances. This coalition would be reminiscent in scale and scope of the challenge once posed by the Sino-Soviet bloc, though this time China would likely be the leader and Russia the follower."*²¹ Whilst the US does not want to share the world with anyone, it doesn't mind if other countries do the heavy lifting which aid US goals. This was achieved in Syria with the US and Russia working together on a number of fronts, but for the moment this strategy against China has not succeeded.

Much of the headlines about the summit focused on the personal relationship between Biden and Putin. As history has shown, the fate of the world and between nations does not rest on personal relationships between leaders. The national interest and strategic realities of the world define what happens and on this front US-Russia relations have been very consistent. Both are adversaries, but today's Russia is in no place to challenge America's global position. A Sino-Russia alliance would be a nightmare for the US and driving a wedge between the two is currently a vital issue.





Russia Cements Its Grip on Belarus

On Thursday the 9th September 2021, the embattled Belarusian President, Alexander Lukashenko stood beside Vladimir Putin and announced the agreement termed the 'integration roadmaps' between Russia and Belarus. The agreement sealed the alignment between Russia and Belarus and will unify their laws, regulation and policies in many sectors from agriculture to industry. The agreement also included the harmonisation of both nations' currencies as well as their financial sectors.

After the collapse of the Soviet Union in 1991 Belarus remained strategically aligned with the Russian Federation. In 1999, Belarus signed an agreement to become a union state, which aimed to create a USSR-like federation with a similar government, currency, flag, and army. Ever since, the union state has focussed mainly at economic integration, with efforts in the defence and intelligence sectors too. Russia used a number of agreements to maintain regional hegemony in the former Soviet space and concluded a number of new alliance agreements. The Collective Security Treaty Organisation (CSTO) ensured the collective defence of its members and Minsk's poor relations with the West pushed it towards Russia.

Russia still remembers the loss of Ukraine in 2014 when a Western inspired uprising completely uprooted Russia's presence there. Belarus occupies important geography as it shares a border with the Baltics and sits in between Poland and Russia.

What Russia was able to achieve in this deal with Belarus was the establishment of a mechanism that will give Russia control over the country and ensure a repeat of what took place in Ukraine doesn't take place there. This is especially important considering protests continue in Belarus due to the contested Presidential election of August 2020. Russia with this agreement is now able to use her energy and economic dominance to dictate the integration of both countries' systems. Russia has been working on tightening her grip on Belarus ever since the Euro-maidan protests uprooted Russia's influence and this agreement gives Russia the strategic depth it needs against the West.

The most notable absence in the agreement was the lack of military and defence cooperation. This is most likely due to the fact that both nations already have close defence and military ties. The Zapad 2021 military exercise that took place in September 2021 reflects the countries' close security ties.

This integration agreement represents a major success for Russia. It was possible due to the embattled president and the fact that Belarus has remained tied to Russia since the collapse of the Soviet Union. Despite criticism from the West, they were unable to throw a spanner in the plan.



After weeks of Russian military build-up it would appear Russia has been gearing up for an invasion of Ukraine. The EU and much of the Western media have watched in horror as Russia has shifted significant military material and troops to the borders of Ukraine in what appears to be preparation for an incursion into the former Soviet Republic. Then at the height of the atmosphere of war, Russia delivered a surprising document to the US. The document was a proposal for a treaty agreement between the US and Russia. The proposal is extraordinary as Russia is demanding a limit to the deployment of US troops in NATO nations and wants to negotiate on it. This proposal came after Russia concentrated its forces around Ukraine's borders, but it appears Russia is more interested in negotiations and guarantees rather than war.

For Russia Ukraine is a critical piece of real estate that successive Russian leaders have all seen as existential if not in Russian hands and control. Russia connects to many regions of the world via land borders so having buffers has historically been Russia's method to defend itself. Expanding Russia's borders and having buffer nations gives Russia the strategic depth it needs. Russia has been invaded each century for the past 500 years and despite the unlikelihood of this taking place today, Russia is not taking anything for granted. Ukraine's Eastern border is less than 300 miles from Moscow. Russia's agricultural belt is integrated into Ukraine and Russia's energy infrastructure that transports energy to Europe all goes through Ukraine. Ukraine is essential for Russia to protect itself and from a Russian perspective its loss is existential.

Russia's buffer map, inc Ukraine and distance to Moscow

The crisis in Ukraine today has its origins in the collapse of the Soviet Union in 1991. After the collapse of the Soviet Union, the US and Europe expanded East via NATO and the EU all the way to Russia's borders. In some cases the US utilised colour revolutions to overthrow Pro-Russian leaders in former Soviet republics and when the Baltic nations all joined NATO and the EU Russia's worst nightmares were coming true. In 2014 the US and Europe jumped at the opportunity when an uprising in Ukraine eventually led to the overthrow of the Pro-Russia Viktor Yanukovich. The uprisings were supported by the West and Europe and the loss of Ukraine posed a major threat to Moscow.

Russia European Buffer Zone



Russia responded to the loss of Ukraine in early 2015 by utilising its naval presence in Crimea and annexing the peninsula and then carried out a referendum to legitimise its actions. Then Russia supported non-uniformed soldiers and militias to annex parts of the Donetsk and Luhansk territories in Eastern Ukraine. After this the Minsk and Normandy protocols were agreed between Ukraine and the pro-Russia rebels in the rebel territories. Germany, France and Russia oversaw this agreement which legitimised the actions Russia had undertaken. After this the conflict in Ukraine became frozen with regular violent flare ups but Russia has been unable to advance its position and Ukraine supported by the US and Europe has also been unable to reverse Russia's position.

But over the years Russia has watched with worry as the West began to arm, train and provide aid to Ukraine Pro-West governments. In March 2021 NATO conducted a massive military exercise called Defender-Europe 21, one of the largest NATO-led military exercises in Europe in decades. The representative of Ukraine in the Trilateral Contact Group on Donbas, Alexey Arestovich, was very open about what these exercises were about: *"A large-scale NATO exercise called Defender Europe 2021 has begun, which means "protect Europe. The scenario is that from the Baltic sea to the Black Sea, we are practising for, well, let's put it directly, the war with Russia, the scenario of armed confrontation with Russia."*²² Both Europe and the US have been gradually increasing military sales and exercises with Ukraine. The US had prior to 2021 sold hundreds of anti-tank Javelin missiles to Ukraine and announced a \$125 million military-aid package, which included armoured patrol boats. Turkey also supplied the Ukrainian army with the same type of armed drones that proved decisive in Azerbaijan's victory over Armenia in Nagorno-Karabakh in 2020 and in October 2021 Ukrainian forces used such a drone to destroy

rebel artillery in the Donbass. In November 2021, Ukraine signed a treaty with the UK that would allow it to buy British warships and missiles.

A red line was crossed for Russia when NATO exercises with Ukraine began on the 20th September 2021 called Rapid Trident 21. What made these exercises unique was for the first time, service members conducted battalion tactical exercises of a multinational battalion with combat shooting in a single combat order. The Kremlin responded that any expansion of NATO military infrastructure into Ukraine would cross Russian President Vladimir Putin's "red lines."²³ It seems what really rattled Russia was the deployment of US ships and bombers to the Black sea. The Russian Defense Ministry described the deployment of the US warships USS Mount Whitney and USS Porter, which sailed into the Black Sea in early November, as a "threat to regional security and strategic stability. The real goal behind the US activities in the Black Sea region is exploring the theatre of operations in case of Kyiv's attempts to settle the conflict in the southeast by force," the ministry said.²⁴ Russia's Defense Minister Sergei Shoigu said: *"We are witnessing a considerable increase in the US strategic bombers' activity near the Russian borders. Over the past month, they conducted about 30 flights to the borders of the Russian Federation, or 2.5 times more compared to the same period of last year,"* Shoigu said to Russia's Tass news agency.²⁵

The NATO expansion is what has bothered Russia a great deal and Putin explained as much on the 30th November 2021. Putin stated that the expansion of NATO's presence in Ukraine, especially the deployment of any long-range missiles capable of striking Moscow or missile defence systems similar to those in Romania and Poland, would be a "red line" issue for the Kremlin. Putin believed these missile-defense systems may be converted into launchers of offensive Tomahawk long-range cruise missiles. According to Putin, *"If some kind of strike systems appear on the territory of Ukraine, the flight time to Moscow will be seven to 10 minutes, and five minutes in the case of a hypersonic weapon being deployed."*²⁶

It was after this that Russia began moving troops towards Ukraine and created an atmosphere of war. Satellite photos show from the beginning of December 2021 Russian forces



were massing in four locations. 50 battlefield tactical groups were deployed, along with newly arrived tanks and artillery. Ukrainians officials believe Russia has deployed 94,000 troops to surround Ukraine.

Russia did something similar back in April 2021, it moved a similar number of troops then against NATO when military exercises were being conducted, only for these troops to be drawn down as the episode led to the first Biden-Putin summit in Geneva Switzerland in June 2021. But the very public display of force is not the usual Russian way of going to war. Russia usually uses the element of surprise and secrecy when it goes to war as it did with Crimea and in Eastern Ukraine in 2015. Russia also has economic, energy and political leverage it can use to shape Ukraine and much of the West's behaviour, which has been its usual tactics, even when it uses unconventional methods.

A number of analysts have highlighted that Russia is looking for talks and guarantees rather than war. In an article in November for the Valdai Club, a

foreign policy forum with close ties to the Russian government, Mr. Timofeev said that a full-fledged Russian invasion of Ukraine was highly unlikely, in part because it could stir domestic discontent. Even if Ukraine will always be a higher priority for Russia than for the United States, he cautions, Western sanctions and military assistance would make a Russian invasion enormously costly. Rather than a wider war, he said, Russia's military build-up is meant as a signal to the West of Russia's extreme discontent with its expanding influence in Ukraine. *"Ukraine is a field of strategic manoeuvring for bringing Russia back into a strategic dialogue, Putin is interested in the global level, not the regional one."*²⁷

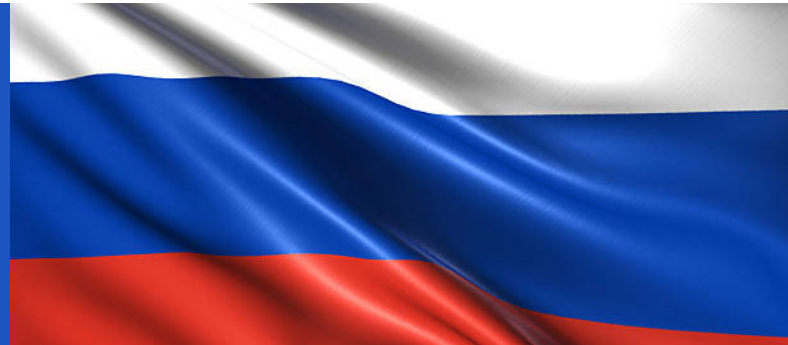
Russia is worried about NATO expansion into Ukraine and Russia's borders and for this reason it moved its troops towards Ukraine and increased the hostile atmosphere. Russia then proposed a solution where the US gives guarantees not to expand NATO into Ukraine. Russia appears to be using the military build-up to force a negotiation in the hope that guarantees will be given to Russia over its buffer regions.



Conclusions

The integration with Belarus in 2021 strengthened Russia's position in her periphery but Russia faces a myriad of challenges that it will need to contend with. Ukraine remains out of Russia's hands; the Euromaidan protests took place over eight years ago and Russia has been unable to make much progress in regaining the strategic nation. Despite troop movements at the end of 2021 Russia is aware further military intervention will cause other financial problems. The victory of the Taliban in Afghanistan and overthrow of the Western-backed government raises a number of challenges for Russia as it was from Afghanistan that Central Asia has long been destabilized. Russia had already started diplomatic relations with the Taliban before they emerged victorious in August 2021. In 2020 Russia's vassal state Armenia faced defeat against Azerbaijan, and Russia now faces challenges in Central Asia and domestically the opposition against the security class is rising. Russia faces significant challenges if it wants to project power

2022



Russia a global power?

The Ruling elites in Russia see their nation as a global power that should be respected and treated as global powers are treated. The US engages with Russia on a handful of global issues but does not treat it as a global power. Whilst Russia makes a lot of noise about her relations around the world beyond her former republics Russia has been unable to influence events. Russia is not the Soviet Union and has no global ideological agenda and in 2022 and beyond it needs to attract more nations to her plans and political agenda if it wants to be seen as a real global power.

Quality of life

Russia's biggest challenge currently is most for her citizens who have not shared in the country's wealth. This is what poses the biggest challenges to the regime in Moscow who has utilised other authoritarian tactics to remain in power. Russia's problem is despite various policies, the country's dependence on energy for her GDP, government revenues and exports have only grown rather than decreased under Putin. Many Russians were willing to rally around the Russian flag when Putin expanded Russian influence abroad. But with 18 million people in poverty and little opportunity for people to own Russia's key assets and grow a business. All of this mounts pressure on Putin in 2022 and beyond.

Economic modernisation

Putin has been the ruler of Russia since 1999 and a number of attempts have been undertaken to reform and modernise Russia's economy. In 2000 Putin launched the Gref plan (Programme for the Socio-Economic Development of the Russian Federation for the Period 2000-2010). But the plan was abandoned when the 2008 crisis struck when it was only 30% complete. Two further plans were tried but Russia has made no significant progress towards modernising her economy. Russia's economy today, from a structural perspective is the same setup since 2008, the only thing that has changed is Russia has become even more dependent on the production and export of raw materials than before. Oil and gas made up around 50% of the Soviet Union's export earnings and it still accounts for over 60% today. It doesn't help that the size of Russia's hidden economy is estimated to be 34%. If Russia wants to be a power it needs to restructure her economy.

China

The Chinese Communist Party (CCP) celebrated its centenary in July 2021. While it hammered home the message that the CCP will restore China to greatness the celebrations took place as the US designated China as her main adversary. China's response to America's containment strategy remains opaque. China's tech strategy continued to evolve in 2021 but blackouts throughout the country brought the nations energy policy into question.





Chinese Communist Party Turns 100

On the 1st July 2021 the Chinese Communist Party (CCP) celebrated its centenary. China's officials went to great lengths to hammer home the message that the CCP alone can restore China to what Beijing considers the country's rightful place as a global power. China today is vastly different to the era in which the CCP emerged. In fact the Chinese nation is in a very different place to where it was not just when the CCP emerged in 1921 but to where it was just a few decades ago. This history is what the CCP went to great pains to show the Chinese people that the CCP has not just saved China but only it can navigate China to a position of global dominance.

At the beginning of the 20th century China was in the midst of the most tumultuous period in the country's history, one that featured an incessant series of wars, occupations and revolutions. China had for four millennia been governed by successive dynasties, but the rise of Europe and her colonisation of the world saw the Qing dynasty fall in 1911 as China came to be swallowed up by numerous colonial powers. The four millennia old civilisation was on her knees. The Qing government was forced to sign a series of unequal treaties beginning in 1842 in the first opium war. It conceded Hong Kong, Macau and other major port cities to the British Empire. The Chinese haven't forgotten this shame. This period is carved into the minds of the Chinese people, who for long considered themselves the world's pre-eminent civilisation. China had fallen behind the superior technology of the West over the centuries, an imbalance that finally came to a head with the loss in the Opium Wars.

It was in this chaos that the Chinese Communist Party emerged. Mao Zedong, whilst working at Peking University in the 1920s became a founding

member. The first CCP congress was held in Shanghai on the 1st July 1921 and attempts to trigger an uprising against the Nationalists all failed by the Communists. The Communists temporarily allied with the Nationalists under the United Front during the Japanese invasion from 1937–1945. When the Japanese forces surrendered in 1945 the civil war resumed between the Communists led by Mao and backed by the Soviet Union and the Nationalists, led by Chiang Kai-shek and backed by the US. Mao took the long march to the interior of China, where he raised a massive peasant army and in 1948, returned to expel the Nationalist leaders, who, along with their government and supporters escaped to the island of Taiwan. Taiwan would remain separate from Communist control and even today the CCP look upon the island of Taiwan as a rebel province that is part of mainland China. The victory over the nationalists led Mao on 1st October 1949, to proclaim the founding of the People's Republic of China (PRC).

The Communists faced a daunting task. The central government had weakened and lost control of the country. Japan had occupied and destroyed much of the country and warlords had taken over most of the buffer regions. Japan left Manchuria after her defeat and this region came back under Chinese control, Outer Mongolia was under Soviet control which was extending her influence into Inner Mongolia and Tibet and Xinjiang, they were effectively beyond the reach of the central government. The CCP's main challenge was feeding a population of 550 million. China along with India throughout history had always been the world's largest populations. China needed to develop her economy after a century of devastation by foreign powers. This was to be achieved, according to Mao via communist lines.

The Great Leap to Nowhere

The 'Great Leap Forward' in 1958 was a hugely ambitious plan that attempted to use mass mobilisation to catch up with the industrial standards of the US and UK in just a few short years. The plan attempted to collectivise all aspects of life (even cooking pots), a strategy which saw farmers pulled off their land to engage in ill-advised rural industries such as small-scale steel plants. The strategy led to widespread famine and the death of 30 – 40 million people! The years of the Great Leap Forward saw economic regression, it was a disaster of epic proportions. The negative effects of the Great Leap Forward were studied by the Communist Party and Mao was criticised in the party conferences and came to be marginalised within the Communist Party.

Mao hit back and initiated the Cultural Revolution in 1966. Mao announced China was lacking in revolutionary spirit. He targeted the party bureaucracy and accused them of leading the country into stagnation. He accused the party bureaucracy of dragging their feet in implementing his edicts. The Cultural Revolution was a campaign to shake the bureaucracy's hold on power. Brigades of students were mobilised to make war on thoughts that were deemed reactionary. Many leading Communist cadres were killed after being identified as reactionaries. The campaign would not come to a complete end until the death of Mao in 1976, when the military demobilised the Red Guards leading to the end of another period of instability in China's long and turbulent history.

'Open and Reform'

The death of Mao led to the emergence of the reformists led by Deng Xiaoping. Under his leadership an analysis of the nation was undertaken by technocrats from the CCP. The analysis presented at the 3rd Plenary Session of the 11th Central Committee of the Communist Party of China in 1978, concluded that the prior efforts to develop China, the Great Leap Forward and the Cultural Revolution, had been failures. Mao's theory of continued revolution under socialism was abandoned and mass class struggle came to an end. It proposed a new comprehensive policy for China called the "Four Modernizations" of industry, agriculture, national defence and science-technology.

The reformists' view was that developing China economically was not just an aspiration but necessary

for the survival of the Communist party. Whilst the CCP was seen as the saviour of China after WW2, her stewardship of the country since then had been a disaster. The CCP recognised that it had failed to develop the nation and the years under Mao were leading to questions about the legitimacy of the CCP. China's strength on the eve of her development was her huge population and large labour force. They were not particularly skilled in modern methods, but such a large labour force if used correctly and deployed into the right areas could lead to a huge increase in production.

"The abandonment of Communism and the CCPs stewardship of China from 1979 turned out to be a spectacular success. The CCP today rules over a China that is very different not just from a century ago but even just four decades ago."

Economic Juggernaut

The CCP's stewardship of the national economy is the major development of the 21st century and it continues to gain global attention, including US policy makers. This economic success story now makes the CCP a key part of China's four millennia of civilisation.

China today has an economy with many elements of capitalism, but the CCP adopts what works for the country, rather than looking to be an ideological nation. China's political system has only one political party – the CCP. China uses nationalism and history to unite the country and in her foreign policy she doesn't advocate any values, she just wants economic deals, investment and markets.

China's economic success has been built upon importing raw materials, commodities and energy from the world. She has an economy that is based on adding value to this by converting them into exportable goods to the rest of the world. China is dependent on the global economy, global markets, sea routes and infrastructure. China must secure her vulnerable supply lines through expanding her military presence and extend her international presence. This naturally brings her into conflict with the global superpower.

Deng Xiaoping famously stated: *"I don't care if the cat is black or white, so long as it catches mice."* This meant for Deng if a system or policy works, it should be used. His reforms for China were gradual, and the CCP did not follow any ideology for economic development from 1978. Reform in China was driven by pragmatism and undertaken slowly to manage change. China focused on export-oriented growth and slowly opened certain sectors of her economy to foreign companies. All the major reforms were the result of a process of trial and error on a limited scale. Successful experiments were then scaled up and rolled out across the country. Thus, the establishment and success of four Special Economic Zones (SEZ) in the 1980s led to them being rolled out across the country.

After nearly two centuries, China has developed an economy which allows her to fulfil the basic needs of her large population as she now has an economy which can achieve this, something that has been sorely lacking for the last 150 years. China's rapid economic rise has now created a new challenge, one that shifted China out of what had been a near self-reliant capability and into one that left China vulnerable to international involvement. China's economic development has now made her dependent on foreign trade routes, resources and foreign markets.

The CCP has a unique position in China and is unparalleled anywhere in the world. It is not viewed like the Republican party in the US or the Conservatives in the UK but is seen as a civilisational party that played a central role in expelling the Japanese during WW2 and bringing stability to the war torn nation. This makes the CCP the sole political party in China that doesn't have to worry about other competing parties or election cycles. The CCP does have elections, but these are really transitions where one set of party officials hand over rule to another set of party officials. All the executive organs we are accustomed to around the world, in the case of China, take place within the CCP rather than the executive, judicial and legal realms all being separate. This gives China the stability it needs, especially due to the large territory that it needs to manage. The CCP's stewardship of the economy is what gives it credibility and it is now the latest in a long list of dynasties to rule over the middle kingdom.





Growing Old Before Growing Rich

Chinese officials tried for months to delay publishing the results of her decennial census, which was completed by the end of 2020. When the results were published in May 2021 it showed China's population grew for the last decade at her slowest pace since records began in 1953. There were just 12 million newborn babies in 2020, a 20% drop over 2019. Whilst the working-age population dropped to 63% of the total population, compared to more than 70% in 2010. The falling birth rate poses a major strategic challenge for China who for long relied upon an endless supply of young workers to fuel her economic growth.

The numbers released from the census showed the country's population was 1.41 billion people, which is around 72 million more than those counted in 2010. This was the narrowest increase recorded since records began after WW2 when the Communist Party conducted its first census, in 1953. The birth of 12 million babies in 2019, according to Ning Jizhe, the head of China's National Bureau of Statistics, was the fourth year in a row that births have fallen in China. That makes it the lowest official number of births since 1961, when the great leap forward caused widespread famine. The only aspect of China's demography that grew was those in retirement. The population is aging rapidly with those over 65 now

accounting for 13.5% of the population, up from 8.9% in 2010.

China is growing old without first having grown rich.

China abandoned her one child policy in 2015 as after three decades the policy led to a huge gender imbalance and an inverted population pyramid where a diminishing pool of young workers came to support an ever-increasing number of pensioners. The One Child Policy, adopted in 1979 was in order to avoid massive overpopulation. As a result of this policy China's fertility rate has fallen to 1.3 children per woman, when 2.1 children per woman is needed to maintain a stable population.

The effects of the One Child Policy can be felt across China. A Ministry of Education report in August 2018 confirmed more than 13,600 primary schools closed nationwide in 2012. The ministry looked to China's dramatically shifting demographic profile to explain the widespread closures, noting that between 2011 and 2012 the number of students in primary and secondary schools fell from nearly 150 million to 145 million. It also confirmed that between 2002 and 2012, the number of students enrolled in primary schools dropped by nearly 20%.

Considering China's large population one would think a slowing or even shrinking of the population is a positive development. But for China the declining population comes at the wrong time. If China wants to continue her economic growth she will need to urbanise much more of her population if it is to increase domestic consumption. It will need to house, employ, care for and educate most of her population if it hopes to create more consumers by 2030. Within the next decade however, over 25% of China's population will be over the age of 60, compared with under 13% today. In that time, the portion of China's population too young or too old to work will rise from around 38% to 46%, with the balance of China's dependent population shifting substantially from young to old. At the same time, China's working-age population (20-59) is set to decline by as much as 80 million people. The shift to internal consumption will require a drastic increase in worker productivity just to sustain growth rates even remotely close to present levels.

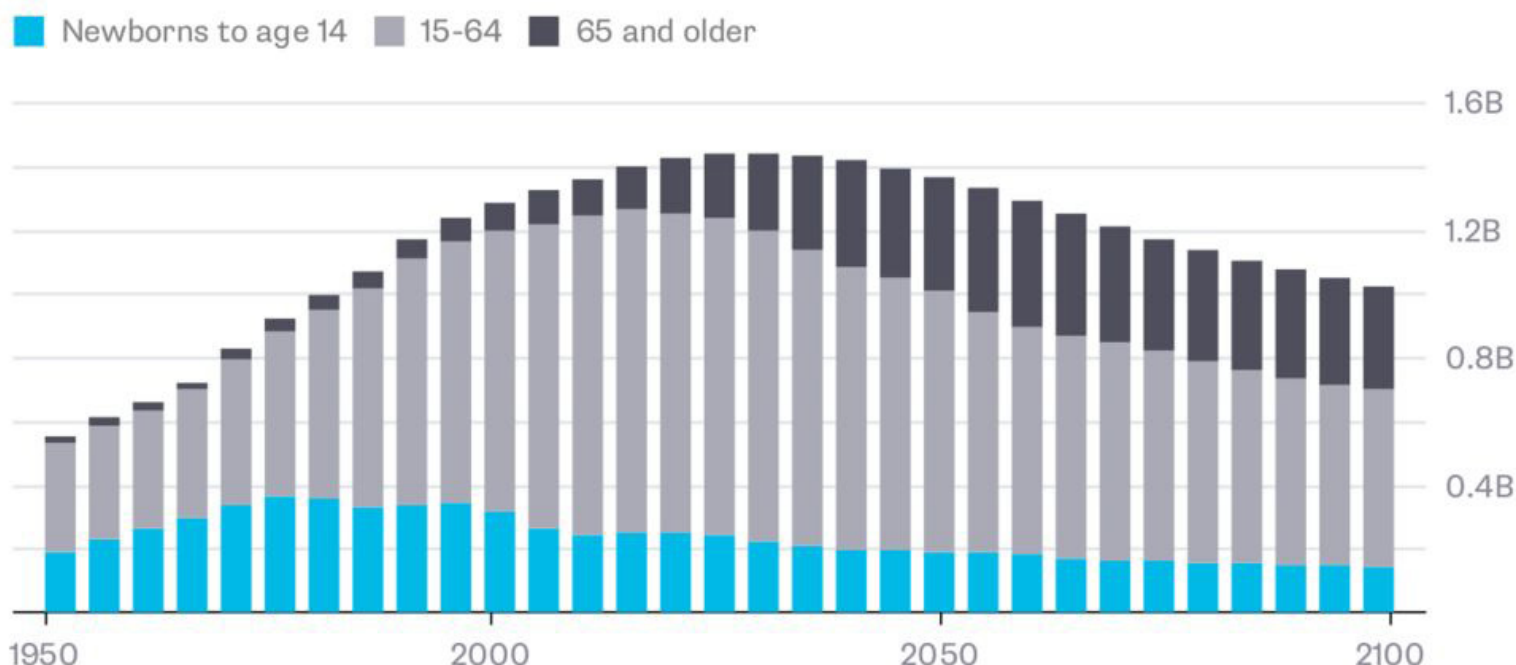
"China is facing a unique demographic challenge that is the most urgent and severe in the world," said Liang Jianzhang, a research professor of applied economics at Peking University and a demography expert. *"This is a long-term time bomb."* As China's population gets older, it will impose immense pressure on the country's social system and underfunded pension system. China also continues to grapple with a huge surplus of single men that has driven problems such as bride trafficking.²²

Like a number of other nations facing demographic decline, raising the retirement age is being considered by the Communist Party. China's retirement age for women is 50 and men at 60 years. China's main state pension fund, which relies on tax revenues from her workforce, risks running out of money by 2036.

"China abandoned her one child policy in 2015 as after three decades the policy led to a huge gender imbalance and an inverted population pyramid where a diminishing pool of young workers came to support an ever-increasing number of pensioners."

China's huge and endless supply of workers was the backbone of her economic growth for four decades. Whilst China has been looking to shift away from cheap, low end manufacturing to high end and high value manufacturing that will rely more on technology rather than workers, China needs her large population to consume much of what it will produce. With China's workforce shrinking, this will mean her consumer base will also shrink and this will probably pose the most serious challenge to the Chinese communist Party.

China's Shifting Demographics





China's Energy Challenges

In September 2021 store opening hours were shortened in China as blackouts spread across the country's provinces. Elevators were switched off, whilst factories were forced to reduce their hours of operations. Nearly half of China's provinces were forced to ration electricity leading to a decline in industrial production, which could not have come at a worse possible time as China tries to get back to economic normality since COVID-19 shut down the nation back in December 2019. China has for long had a problem with supplying her energy and electricity demand. China's reputation as a reliable manufacturer took a huge hit in 2021.

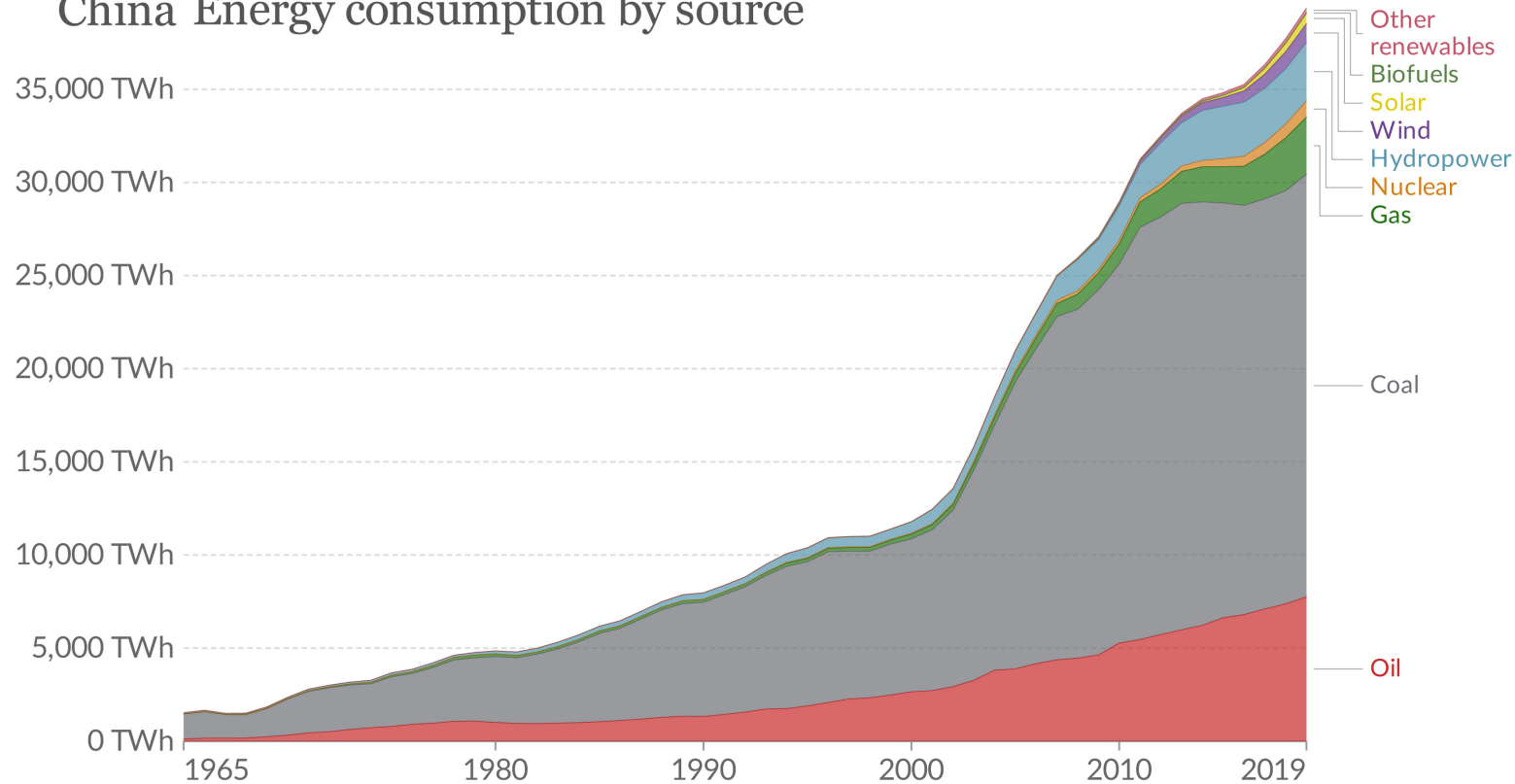
China's rapid economic growth over the last four decades as well as her huge population growth over the same period has seen an increasing demand for energy to power the country. China's manufacturing industry and the mass migration from rural China to urban China, with centrally heated cities has turned China into a power-hungry nation. China's demand for oil, gas and other resources has grown so huge that today China is the world's largest consumer of energy – 3.1 billion tons of oil equivalent (TOE). This is more than the US by nearly 1 billion TOE and more than the combined energy consumption of Germany, Japan, the UK, France, Canada, India, Brazil and the whole African continent.

China's energy landscape is dominated by one fossil – coal. Coal comprises 58% of China's total energy usage and supplies a similar amount for the nation's

electricity. This makes China the world's largest producer and consumer of coal with other 1,000 coal fired power stations. China produces half the world's coal in order to generate power and heat for industries such as steel and construction. This has resulted in China emitting 10% of global greenhouse gases. Most of China's coal is mined in landlocked northern provinces. The coal is then transported by a combination of rail, road and inland waterways either directly south or, more commonly, to coastal ports such as Qinhuangdao and Dalian, where it is then loaded on southbound bulk freighters. In normal conditions, this long-distance transport system is severely strained by shipment volume alone. But it is also highly vulnerable to extreme weather, which causes delays that often trigger local blackouts and contribute to demand for overseas energy sources. The burning of coal with other fossils for a long time created thick smog in China's cities. China's cities have particulate levels up to 30 times those deemed safe by the World Health Organization, which forced Beijing into action. The CCP in 2016 introduced a plan to increase the use of renewables in its energy mix, but with wind and solar unable to provide regular energy in much of China, Coal will remain China's main energy source. China has some of the world's most efficient coal powered plants, ultra-low emissions technology was incorporated into 80% of the country's plants by 2019.

Until the early 1990s China was an oil exporter, exporting modest amounts of oil in the Asia-Pacific. By

China Energy consumption by source



1993 with rapid economic growth in full swing her internal demand far exceeded her domestic production capabilities and ever since China has relied more and more on foreign oil. Oil acquisition is now a process of investment in foreign lands and a creation of an internal oil reserve in case of emergency. China's oil consumption for her large population was 14.5 million b/d, with 66% of this coming from imports. Nearly half of China's oil imports come from the Middle East and then Russia supplies another 15%. China's oil dependency is only going to increase and oil security will play a major role going forward. China could develop oil resources in Western China and then build a pipeline to transport this oil to where it's needed across her population centres, though this would be costly as China is a vast country. Another option is to import oil from Kazakhstan via an all-land route which could also link up with fields in the Tarim basin on its way to the major markets. The main alternative to these proposals is to import crude by ocean tanker. The pipeline options develop routes that avoid the security risks associated with long supply lines by tanker that must pass through narrow and contested sea lanes of the South China Sea. Though ocean tankers offer lower transport costs than pipelines for oil, the issue becomes one of how much China is willing to pay for diversification of supply in the end.

China has tried to off-set the use of fossil fuels by increasing the use of renewable energy. The CCP

government introduced a development plan for renewable energy in 2013. It committed to raising the proportion of its renewable and non-fossil-fuel energy consumption to 20% by 2030. *“Developing cheap solar and wind energy to replace fossil energy has become the core energy strategy of China to reduce air pollution,”* says Hong Li, a researcher who works on solid-state lithium batteries at the Key Laboratory for Renewable Energy in Beijing, part of the Chinese Academy of Sciences' Institute of Physics. Hong Li, who is involved in developing nationwide plans for new energy technologies, also points out that the levels of electricity generated by renewable sources — which vary with the amount of sun or wind — can be less consistent than those from fossil-fuelled power plants. *“It's harder to merge solar and wind power with the electricity grid”* than to include coal-based power, said Hong Li. Renewable energy is *“less reliable and that can make the grid unstable without advanced control systems in place.”*²³ For example, in 2017, more than 30% of the renewable power produced in the sunny, windy provinces of Xinjiang and Gansu in north-west China was never used. That was because it couldn't be delivered to where it was needed, namely the highly populated megacities of eastern China, such as Shanghai and Beijing, thousands of kilometres away. Despite this, China has made headway with renewable energy providing 27% of the country's electricity in 2020. China is now the world's leading country in electricity production from renewable energy sources, with over double the

generation of the second-ranking country, the US.

Half of China's renewable energy comes from hydropower. Most of China's hydropower comes from the Tibetan plateau and surrounding provinces, the size and mountainous terrain of which make building power infrastructure both difficult and expensive. Like coal, Hydropower is hampered by the remoteness and ruggedness of south-western China's geography. Small-scale hydropower projects are common throughout south central China, but rapidly increasing demand in both central and southeast provinces combined with weak transmission has overwhelmed the system.

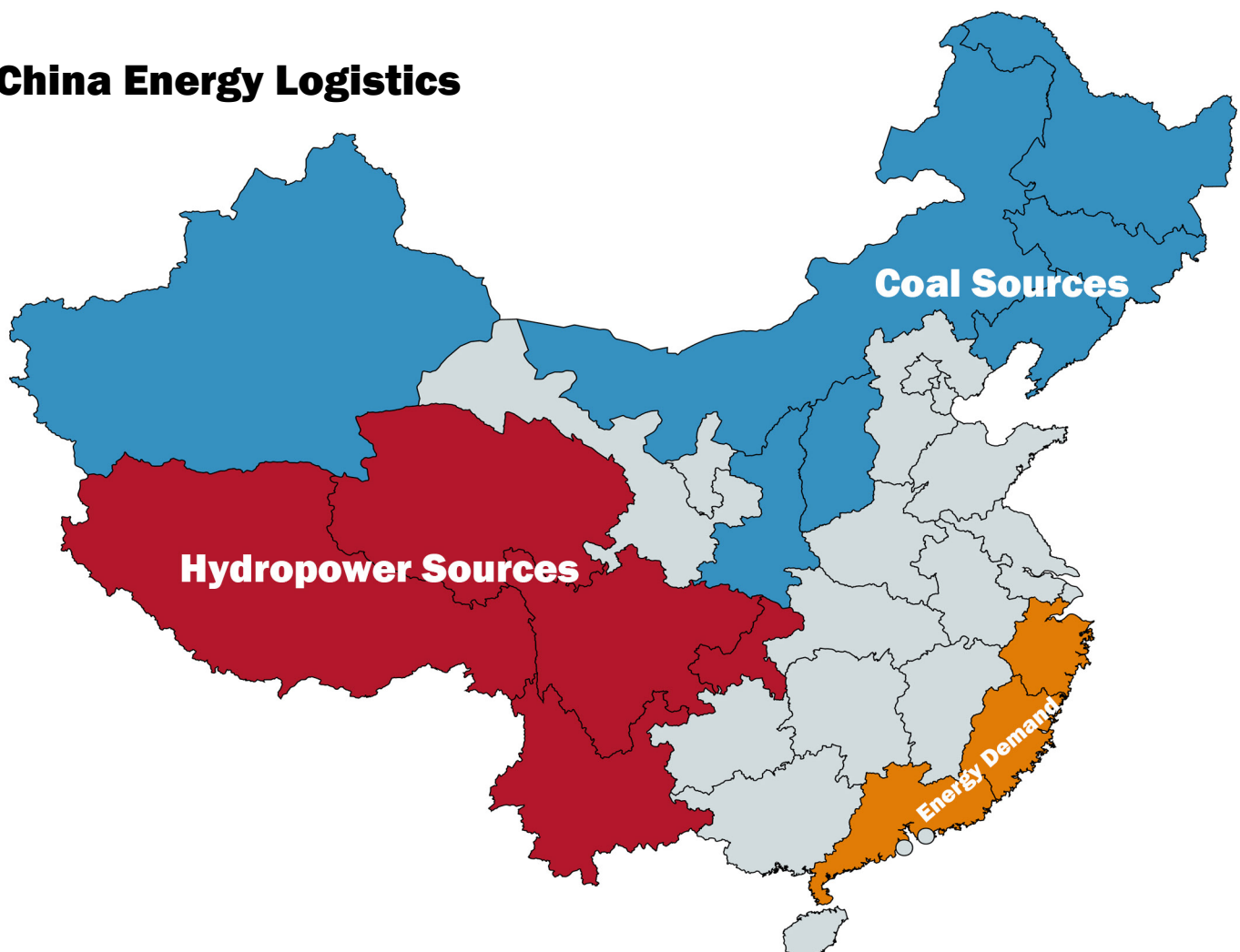
Until nuclear and natural gas resources become viable alternatives to coal (which will take at least a decade), connecting traditional energy resources such as coal and hydropower more efficiently to the areas that demand it will necessitate improved transmission networks. While increased connectivity carries greater risk of more widespread blackouts, the alternative is worse in the long term; waste, inefficiency and a deepening energy imbalance, with coastal and urban demand outstripping China's domestic energy capabilities.


The country has in the past struggled to balance

electricity supplies with demand, which has often left many of China's provinces at risk of power outages. During times of peak power consumption in the summer and winter the problem becomes particularly acute. But in 2021 a number of factors have come together to make the issue especially serious. The ban on Australia's coal in 2020 took place when COVID-19 was beginning and the country was going into lockdown. The lockdown resulted in a big fall in electricity and energy use and as the global economy picked up, getting all the supplies in place has been a struggle and led to a lack of supply to meet industrial demand for energy, which led to the blackouts.

As the world starts to reopen after the pandemic, demand for Chinese goods is surging and the factories making them need a lot more power. The rules imposed by Beijing as it attempts to make the country carbon neutral by 2060 have seen coal production slow, even as the country still relies on coal for more than half of her power. As electricity demand has risen, the price of coal has been pushed up. But with the government strictly controlling electricity prices, coal-fired power plants are unwilling to operate at a loss, with many drastically reducing their output instead. The CCP has a number of serious domestic policy decisions to make if it wants to be able to fuel its economic ascent.

China Energy Logistics





China's Tech Ambitions

China has made a number of impressive achievements on the technology front. It is considered to have leapedfrogged the US in areas such as artificial intelligence (AI), life sciences, 5G and quantum computing. Whilst China is long known for creating cheap knockoffs and imitations it is now seen as a major threat in the 4th industrial revolution of technologies. For the Chinese they are returning to where they always were at the cutting edge of technology where for 4 millennia it was a global leader. After a hiatus of 180 years, today's China sees technology as essential for her future prospects.

China's view towards technology and her importance is rooted in her history. For millennia China was a great and powerful civilisation that had technology, wealth and prosperity. But then the industrial revolution took place and China stagnated and fell behind the West. The Europeans with their superior technology and violence descended upon China, beginning with the opium war in 1839 and forced their way into China. This was the beginning of China's humiliation which would last for 100 years. The century of humiliation ended with the defeat of the Japanese at the end of World War Two. The rejuvenation of the Chinese nation, the slogan adopted by successive leaders, is by revitalising the economy which will be achieved by being at the forefront of new technologies and creating a strong military via civil-military cooperation. As far as the Chinese are concerned, they want to return to where they believe they always were. China's vision is by 2049, 100 years since the founding of the People's Republic of China, to take her position amongst the world's nations, having borne all burdens, overcome all obstacles, defeated all enemies, and built her power anew so China's place is at last restored.

During the Mao era technology was transferred from the Soviet Union to China, from nuclear reactors to military jets and engines. But little progress was

made by the CCP to develop indigenous technologies as Mao focused on consolidating China and her borders and firmly establishing the CCP as the sole political entity in the country. The disaster of the great leap forward from 1958-1962 set the country back and then the Sino-Soviet split as well as Mao's cult personality all obstructed the conditions needed to excel in technological development. Chinese science and technology were in a perilous state due to years of isolation from the global mainstream, the systematic disparagement of intellectuals under Mao and the collapse of the formal education system during the Cultural Revolution.

Open and Reform

The opening up with the US and the passing of Mao led to the emergence of Deng Xiaoping and the beginning of China's economic rise. Realising China's industrial base was in a poor state, Deng established Special Economic Zones (SEZs) and focused on developing infrastructure such as ports, roads, railways and telecommunications in order to attract foreign companies. What China was offering the world's manufacturers was an endless supply of labour, cheaper than anywhere in the world. This offer was based on foreign firms transferring skills and technology to China's large labour force. Since 1979 many of the world's premier brands shifted manufacturing facilities to China to take advantage of the cheap endless supply of labour. For many of the world's largest manufacturers gaining access to China's 1 billion plus population was too good an opportunity to miss. The CCP carefully managed this process ensuring tech, skills and foreign companies came to China, rather than their foreign ideas and values.

What China did was build a system in which Chinese companies and innovation satisfy the vast internal market, while exporting around the world. Foreign companies would help make this leap but

would not be given broad access to China's domestic market. China's internal market was for Chinese champions to grow and then become global players. The 2018 Business Climate Survey Report from the American Chamber of Commerce in China said: *"an astounding 75% of members still feel increasingly unwelcome, reflecting the persistence of perceptions among foreign-invested companies that they are not treated equally with their domestic competitors. When talking about context, it is also necessary to recognize that some sectors, such as consumer products, feel the heavy hand of government much less than those connected with the government's most distorting industrial policies, like those listed in the Made in China 2025 initiative."*²⁴ Deng Xiaoping's open and reform was designed to attract technology, skills and talent. This lure of China's colossal market has seen companies, researchers, scholars and universities from around the world transfer, or otherwise hand over their knowledge and experience, and to help China build her technological capabilities.

China's State-Owned Enterprises (SOEs) flourished throughout the 1980s and helped form the foundation of China's economic miracle. Beijing in the 1990s dismantled the larger state-owned enterprises, breaking them into various competing companies under the guidance of state-backed shareholders. By 2017, the assets of these enterprises reached 72 trillion yuan (\$10.4 trillion), up more than tenfold from 2003 and almost equivalent to China's total GDP for that year. Thanks to easy loans and unfettered access to government funding and assistance, these giants have been able to amass assets in areas where their private and foreign partners were either restricted or found it hard to compete. Since 2013, SOEs have received more than 60% of all new loans in China each year, peaking at 78% percent in 2016. China's domestic market developed largely behind barriers that protected national firms from outside competition, while also letting foreign technology into the country as part of Beijing's strategy to attract outside investment.

Going Global

In 1999 the CCP launched the 'Go Out Policy' in order to promote Chinese investments abroad. The CCP with the China Council for the Promotion of International Trade (CCPIT), introduced several schemes to assist domestic companies in developing a global strategy to exploit opportunities in the expanding local and international markets. National

champions such as the Alibaba Group, Baidu Inc., Tencent Holdings Ltd and Sina Corp have been the major beneficiaries of this policy. Three broad tactics have evolved ever since China's national champions went global.

"China's domestic market developed largely behind barriers that protected national firms from outside competition, while also letting foreign technology into the country as part of Beijing's strategy to attract outside investment."

Acquisitions – Mergers and acquisitions has been a major hallmark of China's global companies. Chinese companies have been buying up tangible assets such as mineral deposits and oil reserves. By 2009 more than 70% of Chinese deals involved either energy or natural resources. Among these were Yanzhou Coal's \$2.8 billion takeover of Australia's Felix Resources, and Sinopec's \$7.2 billion acquisition of the Swiss-registered oil and gas company Addax.

China National Chemical Corporation (ChemChina), took over French Adisseo in 2006. By buying the French company for \$480 million, ChemChina obtained methionine production technologies that were then non-existent in China. The Chinese also targeted companies that can deliver emerging and new technologies and possess offshore R&D facilities. Their value lies in their intellectual property, knowledge, and research and design processes. Patents and blueprints can be sent to China, where an engineer can easily interpret them.

Cybertheft – China is state-sponsoring hacking that focuses on stealing intellectual property and in 2021 it reached a record high. Cybertheft has ranged from theft of designs for advanced US fighter planes and gas distribution networks to personal information from healthcare providers. The process has lasted years, with almost daily raids on Silicon Valley firms, military contractors and other commercial targets. In 2020 Chinese hackers reportedly stole data from the credit rating firm Equifax. Data of over 145 million Americans was compromised. The huge cyber effort by China has seen a massive theft of intellectual property from companies around the world and is now referred to as "the greatest transfer of wealth in history,"

Espionage - China and her Ministry of State Security has been implicated in scores of espionage activ-

ities in the US and around the world. Between 1996 and 2019, China faced 66 (32%) of the 206 US federal cases involving charges related to economic espionage. Over a more recent timeframe, from 2016-2019 China accounted for half of all charges related to economic espionage (18 of 36 cases). Researcher Nicholas Eftimiades estimated that Chinese economic espionage activities accounted for \$320 billion in losses per year as of 2018, or 80% of the total cost of intellectual property theft to the US estimated at \$400 billion per year by the director of national intelligence. China's major scalp was Su Bin who established an aerospace firm in Canada who successfully targeted US defence companies and managed to get hold of over 630,000 files containing information on the C-17, F35 and F22. China's J-20 and F-31 were produced by China's air force with this information.

China's innovation and technology strategy is built on forced technology transfer, cybertheft, massive state-led capital investment, and global strategic acquisitions done by state-run corporations. When the world's largest companies come up against Chinese companies they are in effect competing with a 12 trillion-dollar state who is pouring billions into robotics, biotechnology, and quantum computing, or snapping up strategic acquisitions such as deep-sea mining corporations and leading-edge aerospace composites companies. The CCP has also brought China's corporations and military together through the policy of "Civil Military Fusion." Here, China's private sector and military technology development combine, spanning a wide range of emerging technologies from artificial intelligence to robotics.

Made in China 2025

The state driven "Made in China 2025" (MIC2025) plan unveiled in 2015 and aims to lift the country's industries up the value chain, replacing imports with local products and building global champions able to take on the Western technology giants in cutting-edge technologies. The strategic plan of China issued by Chinese Premier Li Keqiang and his cabinet in May 2015 aims to move China away from being the world's factory floor for cheap goods and low quality and to move to higher value products and services. Made in China 2025 is the natural evolution of China's strategy of being a technology giant and self-sufficiency in the next generation of technologies is the direction China is now heading towards.

The goals of 'made in China 2025' include increasing the Chinese-domestic content of core materials to 40% by 2020 and 70% by 2025. The plan focuses on high-tech fields including the pharmaceutical industry, automotive industry, aerospace industry and semiconductors, IT and robotics etc, which are presently the purview of foreign companies. It is an initiative to comprehensively upgrade the Chinese industry. It is an attempt to move the country's manufacturing up the value chain and become a major manufacturing power in direct competition with the US. The Chinese government is committed to investing \$300 billion to achieve this plan and will be using all the aforementioned tactics to achieve this. It's a highly ambitious plan which has already seen some success.



Key Technologies

Artificial Intelligence - In 2017 China's State Council announced its "New Generation Artificial Intelligence Development Plan," which set the goal of creating a \$150 billion AI market and becoming a global leader by 2030. China's approach to AI development combines market forces with strong state support, and this means that it can quickly mobilise resources to accelerate AI development and gain an advantage over Western players. China also has access to vast amounts of data, made possible by her large number of internet users.

5G - China plans to invest \$411 billion in upgrading her telecommunications systems to 5G between 2020 and 2030. China already leads the way in 5G patents, and by 2025, it is expected that China will have the largest market with 430 million users. Huawei, China's major telecommunication company, has been largely responsible for China's success. Its state-sponsored programme offers cheap finance, which means that Huawei has been able to offer significant discounts on its base stations. As a result, the company has already shipped 200,000 units to 50 telecom operators in Europe and Asia, despite sanctions from the US.

Fintech - China is emerging as the world's fintech market leader. Nine of the 23 privately held fintech corporations are based in China. China's influence in the global financial system is growing. The Chinese Central Bank has already announced the launch of a state-owned cryptocurrency which will be issued to seven different Chinese institutions, including tech companies Alibaba and Tencent. Facebook CEO Mark Zuckerberg has stated that US leadership in finance is being threatened by China.²⁵

Energy - China is now the world-leader in green technology. It holds 29% of the global total of renewable energy patents and has invested more in renewable energy than the US and EU combined. China's commitment to a transition to renewables is evident through her technology roadmap, which outlines her ambition to reach a 90% share for new energy vehicles by 2025.

Semiconductors - China has included the establishment of an independent chip industry as essential for her 'Made in China 2025' plan. But China has faced major challenges in these areas compared to others, even though it's probably the most critical. Whilst most of the world's chips are manufactured in China they are done mainly by foreign companies with subsidiaries in China. South Korea's SK Hynix and Samsung are the two largest by revenue, then there is America's Intel and Taiwan's TSMC. The two Chinese companies in the top six, Huahong Group and SMIC, are generations behind the pack. Whilst Huawei has become a major player in designing certain chips, its most advanced chips are built by TSMC. China's attempts to design, manufacture, test and assemble her own chips has seen the US turn against her and is now on a mission to counter China's chip dreams.

Quantum Computing - China has invested very heavily in quantum technologies and has taken the lead and has done so relatively quickly. The number of patents filed by Chinese companies relating to quantum computing has shot up in the last few years. In 2014, there were a similar number of patents filed in the US and China, but by 2017 China filed almost twice as many. China firstly focuses on quantum communications, through projects such as Micius, as well as a ground-based quantum network in the northern province of Shandong. Currently China is focussing on building a multi-satellite quantum network and creating a quantum simulator to tackle scientific problems. US big tech companies are focussed on pushing up the qubit-count and bringing down the error rate on quantum computers.



The China-Iran Strategic Deal

China and Iran's foreign ministers signed the Sino-Iran Comprehensive Strategic Partnership on 27 March 2021. The huge deal was made public back in 2020 and has led to much speculation regarding its impact in the volatile Middle East region. The possibility of China securing vital commodities, providing a lifeline to the embattled regime in Tehran, establishing a strategic footprint in the region and challenging the US are real possibilities with deals of such magnitude. But while these all may seem plausible, many challenges will need to be overcome for this strategic deal to come to fruition.

According to the 18-page document obtained by the New York Times, Iran has been in negotiations with China regarding a comprehensive strategic partnership covering 25 years. Beijing, according to the leaks, will be splashing her cash on Iranian oil and gas sectors and constructing railroads and improving manufacturing. In exchange, Iran will provide energy to China at a special discount, at 32% according to the documents that have been leaked.³² The deal also incorporates strong military cooperation between the two nations.

With Iran isolated, China is promoting the partnership as a new aspect of her Belt and Road Initiative (BRI). Since the announcement of BRI in 2013 Beijing has been aggressively pursuing commercial deals around the globe. The \$400 billion Sino-Iran Comprehensive Strategic partnership would represent China's largest agreement to date for any single country in the BRI, dwarfing the next biggest investment of \$62 billion planned as part of the China-Pakistan Economic Corridor (CPEC). China's BRI projects are

coming under much more scrutiny due to their sheer scale and some of the terms. One investigation led to the conclusion that China's CPEC deal with Pakistan is nothing more than a bogus scheme. Pakistan still has to benefit from the CPEC project because the billion-dollar Chinese loans will need to be repaid, by Pakistan, who has always struggled with foreign loans. China's 'debt-trap diplomacy' with Sri Lanka has also caused much scepticism where Sri Lanka ended up ceding a port and 15,000 acres of land for 99 years.

China's phenomenal economic growth has led to an immense increase in energy consumption. In 2017 China replaced the US as the world's largest crude importer. China needs 13 million barrels per day (b/d) of crude oil to meet her industrial and domestic demands, over 10 million (b/d) are from imports, with Russia and Saudi being the largest suppliers. The same dynamic exists for natural gas, of the 26 bcm of gas consumed, half of this is from imports. Discounted Iranian energy would provide an extra source of energy for China, who has long sought to diversify her energy supply. But Jon Alterman, Director of the Middle East Program at the Washington-based Center for Strategic and International Studies (CSIS) highlighted: "China does not need Iran, but Iran is useful to China. Beijing sees Iran as 'a depressed asset' it can pick up at low cost."³³ Selling oil at such a huge discount may benefit China but does little to change the economic, financial and monetary situation of the clerical regime in Tehran.

The situation of Iran's clerical regime is also dire. Whilst the nuclear deal in 2015 opened the pros-

pect of Iran gaining access to international markets and foreign companies investing in Iran, the Trump administration pulled out of the deal, which brought back all the sanctions against Iran. Iran's economy is in tatters due to America's maximum pressure strategy. With the world's fourth largest oil reserves and second largest gas reserves, production has plummeted as US sanctions included the threat to cut off access to the international banking system for any company that does business in Iran by making it illegal to trade in the US dollar. Energy production has plummeted and revenues for the clerical regime have also plummeted which precipitated demonstrations in December 2019. China represents the only option for Iran when the US has isolated it within the region and much of the world. This most likely explains why Iran gave such a large discount on energy sales, for a quarter of a century, in order to secure the deal.

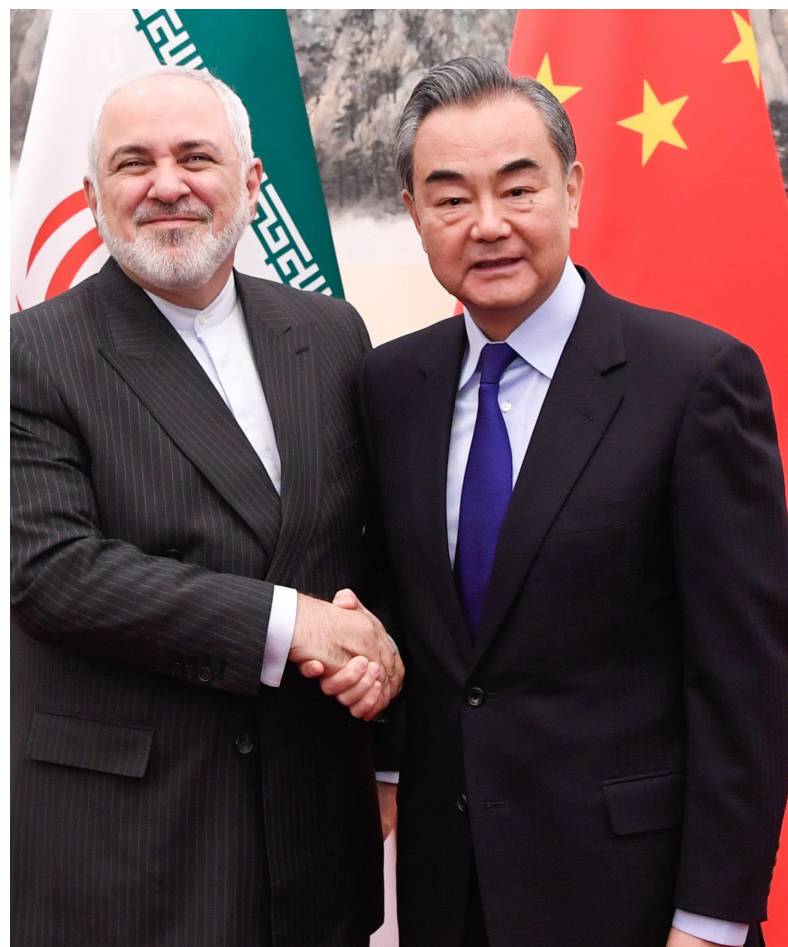
"Iran has in the past turned to China to relieve economic pressure, but China has never been able to deliver, or willing to deliver. Zoomed out, the leaked draft may appear comprehensive, but there are scant specifics on what individual projects will involve. It is more like a roadmap. There are a lot of promises and very broad contours for what future negotiations might entail."

The strategic partnership also includes deepening military cooperation, via joint training and exercises, joint research and weapons development and intelligence sharing. But the militaries of both nations could not be more different. Iran's military strength is its unconventional forces, support to non-state actors and its array of missiles. China's military whilst it has undergone much development in the last two decades is a defensive force focused on defending her littoral waters. They couldn't be more different militaries, defence industries with completely different doctrines and priorities. Whilst China's military ascent gains much media coverage her military platforms are not proven. Iran has been engaged in a low intensity war with Israel for decades, Iran is experienced in warfare, whilst the last time China went to war was four decades ago. Whilst the defence aspect of the deal is being seen as China gaining a foothold in the Middle East, this remains rather far-fetched with China's military capabilities.

For Iran there is no guarantee that it is going to be

immune to Chinese exploitation in the future, as many of China's BRI projects are now becoming labelled as. Whilst Chinese investments in Iran's oil and gas sectors will bring much needed modernisation to Iran's crippling energy infrastructure it remains to be seen if Iran will benefit from this with the huge discount it is providing. The more fundamental question remains: how reliable will China be as a strategic partner? Is China prepared to be embroiled in potential wars if they broke out between Israel and Iran? Is China prepared to back Iran in Lebanon and Syria? With US-Iran relations so volatile would China back Iran in any conflict with the US? It's unlikely China will want to get entangled in the volatile region with Iran.

The leaks have seen the Iranian public protest vociferously against the deal. Although the terms of the deal have not been publicly unveiled, critics have already likened it to the humiliating Treaty of Turkmenchay, which Persia signed with Russia in 1828. On social media, Iranians claimed the accord entails Iran giving up land to China or allowing China to stage her troops in the country. Iran has in the past turned to China to relieve economic pressure, but China has never been able to deliver, or willing to deliver. Zoomed out, the leaked draft may appear comprehensive, but there are scant specifics on what individual projects will involve. It is more like a roadmap. There are a lot of promises and very broad contours for what future negotiations might entail.





The Sino-American Great Game

The AUKUS deal in September 2021 between the Australia-UK-US was just the latest attempt by the US to contain China. The US has military bases in the region, it uses defence exports to India, Japan, South Korea, and Vietnam to create a ring around any Chinese expansion. America's moves gain much of the global headlines, but what is China's strategy to push back against the US? What is her strategy to dominate the region and scupper the US agenda? China has not laid out a clear plan to push back against the US, but some key aspects can be discerned from Chinese activities over the last decade.

China's most important and strongest tool is her trade and economic relations with all the nations in the region. China wants to be the dominant power in the region, and it is now the number one trade partner for over 130 nations globally and this includes every nation in East Asia and Southeast Asia. China has increased her cooperation with her neighbours and regional influence through greater connectivity and trade. China drove the Regional Comprehensive Economic Partnership (RCEP) trade agreement with ASEAN and other nations on the ruins of the Trans-Pacific Partnership (TPP) trade agreement. RCEP excludes the US. China has used her economic relations in the region to loosen America's relations with the nations in the region, her principal strategy being the promotion of trade, investment and other linkages to the region.

Chinese strategists view the South China Sea as a critical body of water to be secured for Chinese

development and protection. 60% of Chinese trade traverses the Spratly Islands, whilst a quarter of global maritime trade flows through the South China Sea annually. Over 85% of Chinese oil imports arrive via the South China Sea. The South China Sea also boasts vast, unexplored natural resources. Geopolitically, control over the South China Sea provides China with maritime and border security for a significant portion of southern China. China has laid claim to the waters of the coast of South China and uses her maritime militia, coast guard and law enforcement agencies, all operating under the shadow of the Chinese People's Liberation Army, to stake out and defend her territorial claims. The South China Sea is the only area China has been willing to use force. Beijing has undertaken extensive and rapid land reclamation activities to strengthen her claims in the South China Sea. Today China is further expanding her maritime civilian and military presence in the region by creating artificial islands.

Projecting Power

China has two maritime strategies to project power from her coast. Its island chain strategy consists of the first island chain, which is between 500 to 1,000 miles from the South of Japan and covers most of the South China sea. China has increased the number of modern destroyers, frigates, corvettes and diesel-electric submarines. She has launched her 20th type 052D which is equivalent to the US Arleigh Burke-class destroyers. China is also building her third aircraft carrier in the 60,000 ton range and

investing heavily in the much more capable type 055 destroyer. The Chinese navy has ambitious plans to develop new capabilities and is well on the way to doing so further projecting power from her coast.

"China's most important and strongest tool is her trade and economic relations with all the nations in the region. China wants to be the dominant power in the region, and it is now the number one trade partner for over 130 nations globally and this includes every nation in East Asia and Southeast Asia."

Beijing has been building up a very capable surface fleet and now has more ships than the US. The Chinese navy has added a sizable number of diesel-electric submarines to her fleet, including some of relatively advanced design. China then plans to be able to dominate the second island chain which runs from the centre of Japan out to Indonesia and beyond 1000 miles.

China is making strides in building sufficient maritime capabilities to deny the US access to the waters upon her coast and beyond. China has made significant progress in modernising her armed forces and this has worried US policy makers who see China challenging her place in her region. China's navy possesses capable diesel-electric submarines that are well-suited for warfare within the first island chain. For the second island chain China will need more nuclear submarines as these combine the stealth and the range necessary to engage in modern, long-distance operations. Nuclear submarines allow a navy to be at sea for long periods due to nuclear propulsion. China's nuclear submarines are famously noisy and she will need to make qualitative upgrades to be truly competitive. If she can achieve this and then put to sea nuclear submarines, this will make it a power to contend with in her region.

Sino-Russian Partnership?

The year before he died in 2017, one of America's leading 20th century strategic thinkers, Zbigniew Brzezinski, sounded an alarm. In his analysis of threats to American security, he said *"the most dangerous scenario," he warned, would be "a grand coalition of China and Russia... united not by ideology but by complementary grievances."* This coalition *"would be reminiscent in scale and scope of the challenge once posed by the Sino-Soviet bloc, though this time*

*China would likely be the leader and Russia the follower."*³⁴

With the collapse of the Soviet Union in 1991, the de facto US-China alliance ended and a China-Russia rapprochement began. In 1992, the two countries declared that they were pursuing a *"constructive partnership"*. In 1996, they progressed towards a *"strategic partnership"* and in 2001, they signed a treaty of *"friendship and cooperation"*. America's predicaments in both Iraq and Afghanistan have seen both China and Russia attempt to introduce an alternative order to the US constructed and dominated world order.

Energy has been one of the key strategic issues that have bonded the two nations together. The two nations have signed several major energy deals. Russian oil has made up a steadily growing share of China's energy portfolio over the years. Russian exports of natural gas, including liquefied natural gas, to China are also increasing. These moves are rooted in grand strategy; Russia and China are privileging each other in energy trade and investment to reduce their dependence on locations where the US is dominant.

At the same time, Beijing and Moscow have symbolically demonstrated their ever-closer relationship in the realm of defence. They have conducted joint military exercises in unprecedented regions, including the Mediterranean Ocean and the Baltic Sea, as well as in disputed territories, such as the Sea of Japan and the South China Sea. Vostok-2018 was Russia's largest ever military drills, with hundreds of thousands of troops joining Chinese soldiers.

Over the years, the two countries have taken on distinct roles in Central Asia. Russia has become the leading security guarantor in the region by founding the Collective Security Treaty Organisation (CSTO). By comparison, China is rapidly emerging as the leading energy and infrastructure partner in the region. Both countries have a stake in the region's security and economic integration, as evidenced by the presence of the Russia-led Eurasian Economic Union and the China-led Shanghai Cooperation Organisation (SCO) there.

The Sino-Russian partnership is growing into a strategic rivalry for the US. Both countries take issue at the extent and application of US power. Russia and China agree that the US should not be the global superpower. But they have vastly different views of what the alternative reality should be. Russia sees the alterna-

tive as a rebirth of Russian power on the order of the Soviet Union. China sees the alternative as reclaiming the mandate of heaven, a position that was usurped by Western imperialist powers in the 19th century when China was vulnerable.

Beyond these immediate actions China has in progress various longer-term strategies to push back against the US.

China is working to establish a Eurasian trade bloc with her Belt and road initiative (BRI). She envisions a New Silk Road that will include high-speed rail lines, modern highways, fibre optic cables, energy pipelines, seaports, and airports. It will link the Atlantic shores of Europe with the Pacific shores of Asia. China is also working to establish alternatives to the Bretton Woods institutes that are dominated by the US. China is a key player in the BRICS (Brazil, Russia, India, China and South Africa) group of countries. These emerging economies and nationalistic governments, consider existing management of the global order as unfair to them and in different degrees have opposed to the rules dictated by Western powers.

In 2015 the **Asian Infrastructure Investment Bank** (AIIB) began operations. The multilateral development bank aims to support the building of infrastructure in the Asia-Pacific region. China plans to turn the institute into an alternative to the World Bank. China has also been talking about replacing the dollar for some time. With sanctions on Iranian oil – a key supplier of Chinese energy and China's trade war with the US, China has actively attempted to move away from the dollar as the global reserve currency. In March 2018, the Shanghai Futures Exchange launched its first futures contract that is open to foreign investors. This contract, a yuan-denominated oil future, has the potential to become a rival to the dollar-denominated Brent and WTI contracts that serve as the current benchmarks.

Whilst China's strategy against the US consists of immediate actions and a second category of more longer-term strategic actions, what is missing from all of these are political actions that China can be doing right now that would complicate America's containment strategy. China has no agent rulers or vassal states it can deploy to complicate US plans. America's containment strategy is based upon arming and building up nations that surround China. China has not won over any of the ruling class in her region in order to be used as a means against the US.

Whilst China and Russia relationship is presented as an alliance it is really a partnership and within the partnership there remain many differences. But the most important issue is can China rely upon Russia? Will Russia support China in any attempt to retake Taiwan? Beijing knows it cannot rely on Russia in her region as Russia would not want to get embroiled in such an issue, which it doesn't even see as a strategic issue for her. Similarly, China remains very silent on Ukraine and Crimea, even though these are strategic issues for Russia.

The issue of Taiwan severely undermines China's claim to one China. For the CCP, Taiwan is a perpetual scar on the Communist Party's narratives about her victory in the Chinese civil war; Taiwan sits firmly in the middle of the first island chain. More than any other island in this chain, Taiwan could be used by a foreign power to threaten the Chinese mainland itself. Retaking Taiwan would blow a massive hole in the US containment strategy and puts China in a better position to expand into South-East Asia. But despite China's military ascent, it may well be able to take the island, but China is not confident it will be able to deal with any US intervention and reprisals currently.

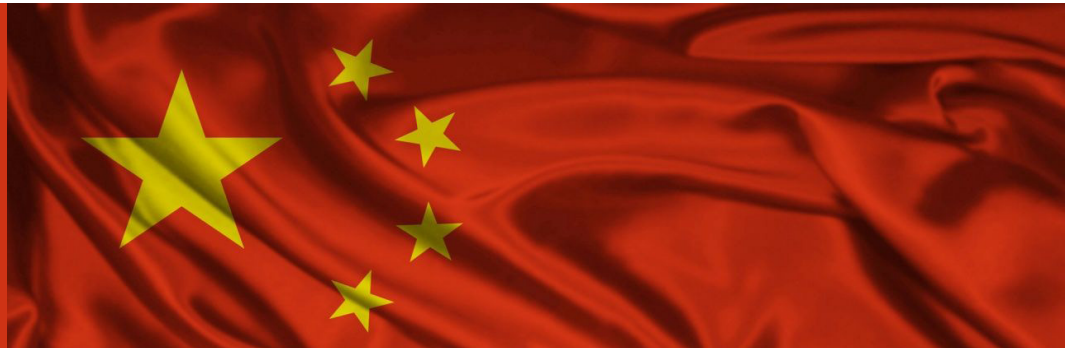
China's lack of ideological values for the world means in the face of the US and freedom and democracy China has little to attract other nations to her. China has no such ideological vision. Even when it was communist, China did not take part in any global mission in spreading communism. China's vision since her open and reform era was limited to developing her economy and then maintaining economic growth. China integrated into the US constructed a global liberal order and her economy grew as a result of it. China does not subscribe to the values that underpin the liberal order and criticises this aspect of it as the US attempts to impose her values upon other nations.

China lacks effective tools in order to contain the US containment strategy. In the medium to long term it will be able to stand against the US, but for the moment China does not have the political capabilities to weaken and blow a hole in America's containment strategy. It does have economic and commercial tools, though for the moment China has not been able to win anyone to her vision of how the region should look and take shape.

Conclusions

China spent much of 2021 celebrating the 100 year anniversary of the Chinese Communist Party (CCP) but the number of challenges she is facing are increasing, both domestically and abroad. As Xi Jinping entrenches himself into the nation's political system the nation's economic model remains dependent upon exports, whilst on the political front China has been unable to make any political strides to counter the US. For the moment only Russia counts as China's ally and despite the deep economic and commercial relations China has with many nations in the world she cannot count on them when it comes to her competition with the US. With Australia joining the US against China, the noose is tightening around China and she will need to use political skill rather than her deep pockets or navy to push back against the US in her region.

2022



Real Estate Troubles

In 2021 China's second largest private property developer - Evergrande, effectively defaulted on the interest payments it owed. The size of the Chinese property giant means the potential for financial contagion. Evergrande reflects the wider problems in real estate in China. The sector was used to stimulate the Chinese economy when the global economic crisis hit, back in 2008. Stimulus money poured into real estate and many ghost towns emerged to keep the Chinese economy ticking along. Private companies over leveraged and with the pandemic in 2020, China's economy was brought to a standstill, the real estate sector now faces her reckoning. The CCP has left it to local and provincial governments to deal with the fallout but the fact that China's largest private real estate company is in trouble shows China has a huge financial problem to face in 2022.

Energy problems

In 2021 many Chinese provinces faced blackouts due to the COVID-19 pandemic bringing China's industrial supply chain to a halt. The CCP used the opportunity to reduce her fossil fuel usage and ordered many power plants to cut and halt production. But as the global economy picked up in the West in 2021, China's industrial sector was caught unprepared and China, who relies on exports, was forced to apply load shedding and use electricity destined for China's cities to her industrial hubs in order to meet demand. At the end of 2021 China had not resolved this problem and there is no quick way out for China. China is fast depleting her thermal coal reserves and it will likely need to import even more coal in 2022. But as coal still provides the lion share of global electricity production China is finding it will be competing for coal with countries such as India for the world's thermal coal supplies. Despite applying price caps on electricity prices domestically, China will be forced to overpay for coal imports.

China has a peoples' problem

In November 2021 the influence of falling demographics on China's economy was beginning to be felt. the FT reported nappy producers in China were to start prioritising her older customers rather than children. While private equity was showing growing interest in burial plots and funeral providers. China's slowing population growth is already causing issues and is showing many aspects of what Japan went through in the 1980s. What has surprised many is how quickly this is taking place as many forecasted it would take another decade for China to reach this point. Whilst China is making lots of noise abroad about her place in the world, it has bigger problems closer to home.

A topographic map of Europe and its surrounding regions, including North Africa, the Middle East, and Iceland. The map uses a color gradient to represent elevation, with green for low-lying areas and brown/orange for higher terrain. The word "Europe" is written in a large, white, serif font on a semi-transparent grey rectangular background in the upper left corner.

Europe

2021 was a year of flux for Europe. The future of the EU saw talks with nations who could one day join the EU. Britain's exit from the EU saw the promotion of Global Britain, all the while independence talks lurk in the background for Scotland. With all the challenges Europe faces, questions are being asked about the continent's role in the world.



EUROPEAN PENINSULA

To Expand or not to Expand

Slovenia took hold of the rotating presidency of the Council of the EU on the 1st July 2021 and the country said one of her main priorities was to expand the union and add candidate nations to the EU. The last decade has been a difficult one for the union as the global economic crisis in 2008 tested the union's fiscal rules and the rise of nationalist sentiment has seen large segments of Europe's population turn against the EU with Britain leaving the union in 2020, the first nation to ever have done so.

There are five recognised candidates for membership of the European Union. Aside from Turkey who applied in 1987 the other candidates are all Balkan nations and entities. North Macedonia applied in 2004, whilst Montenegro applied in 2008. Albania and Serbia made their candidacy applications in 2009. Kosovo and Bosnia and Herzegovina are recognised as potential candidates for membership by the EU also. Bosnia and Herzegovina has formally submitted an application for membership, whilst Kosovo has a Stabilisation and Association Agreement. Beyond these nations, Norway and Switzerland submitted membership applications in the past but subsequently froze them. Iceland did the same and subsequently withdrew her application. In 2014, the EU signed Association Agreements with Georgia, Moldova and Ukraine and the EU parliament passed a resolution recognising the 'European perspective' of all three countries.³⁵

With sentiment against the EU at rock bottom and with nations leaving the union there is a very real question of why any nation would want to join the EU. For the Balkan nations they would get access to the many EU programmes and subsidies that are provided to poorer nations. Balkan nations believe this would help in increasing the standard of living in the region. By being part of the union, the Balkans would become an attractive investment destination as EU member states are seen as safe investments with rule of law and high standards. For Balkan citizens they

could freely travel throughout the union and seek employment, thus bringing many economic and social benefits to Balkan nations. Many EU member states already believe Balkan membership would create stability on the eastern edges of the continent as they would grow prosperous.

The European Union requires all member nations to meet standards that include political, economic, social and structural changes. This is a very high standard and doesn't make joining the union easy as member nations need to bring all their laws in line with EU rules and comply with EU standards. EU accession is also a decades long process as negotiations are all broken down into policy areas and negotiated one-by-one.

The current obstacles facing the Balkan nations are both structural and political. The Balkan nations need to meet the EU's criteria on corruption, rule of law, dealing with crime, minorities and government involvement in the economy. Many of the Balkan nations are not full market economies and they lack strong political institutions. Corruption remains high and the rule of law is extremely weak.

But even if these structural issues are overcome there are a number of political issues which still remain. Before Serbia can join the EU, officials want her to have normal relations with Kosovo. Serbia doesn't even recognise Kosovo and sees her as a rebel region.

Greece has long been opposed to Macedonia's membership as Greece doesn't want her to use the Macedonia name of the same region she has. After long talks Macedonia agreed to change her name to North Macedonia, but now Bulgaria is threatening to veto this due to her own dispute with her over several cultural issues. Bosnia on the other hand is still a very fragile nation due to many internal issues and is largely a dysfunctional nation.



The other major issue comes from within the EU. Many EU heavyweights don't want to see additional states join the union. 12 new nations joined the EU between 2004-2007 and the French believe the EU has expanded too fast and is now too big to manage. The French believe EU leaders and institutions should focus on consolidation rather than expansion. Poorer nations joining the EU is believed by some member states to weaken EU institutions.

The EU has for long used EU membership as a foreign policy tool to expand eastwards. By promising many Eastern European nations accession over the years this gave the EU influence. By not making good on such promises there are a number of other regional and global nations that could gain influence over the Balkans such as Russia, China and Turkey.

EU expansion is about the Balkans joining the EU but huge challenges need to be overcome, taking into account all the historical problems in the region.

Freezing Turkey Out

Turkey is the thirteenth largest economy in the world and is seen as a regional power by most EU nations. Despite starting official talks on membership in 2005 France alongside a host of other nations have opposed Turkey joining the union. Opponents argue

that Turkey does not respect the key principles that are expected in a liberal democracy, such as the freedom of expression. Turkey's large population would also alter the balance of power in the representative European institutions. Upon joining the EU, Turkey's 84 million inhabitants would bestow it the largest number of MEPs in the European Parliament. It would become the most populous country in the EU. Turkey also does not recognise one EU state, Cyprus, because of the Cyprus dispute the Cypriot government blocks some chapters of Turkey's talks.

Turkey's relations with the EU have seriously deteriorated in the aftermath of the 2016 Turkish coup attempt and subsequent purges. In November 2016, the European Parliament approved a non-binding resolution calling for the 'temporary freeze of the ongoing accession negotiations with Turkey' over human rights and rule of law concerns. The European Council has not opened any new areas in Turkey's membership talks. Today Turkish accession talks are effectively at a standstill.

"EU expansion is about the Balkans joining the EU but huge challenges need to be overcome, taking into account all the historical problems in the region."



Global Britain

With Britain's departure from the EU policy makers have been working to define the nation's post-Brexit foreign policy. 2021 saw Britain struggle with the rapid fall of Kabul, at the same time Britain's supply chain problems were leading to McDonalds running out of milkshakes. This was only compounded when panic buying of fuel led to long queues at the nation's petrol stations in September 2021. Britain's post-Brexit strategy and place in the world was outlined in her Integrated Review of Security, Defence, Development. Which was then followed by a Defence Command Paper, Defence in a Competitive Age also published in March 2021.

The reports outlined the opportunities for Britain and the role she can play around the world now that the shackles of the EU have been removed. The report laid out the challenges Britain faces which include the competition between democracy and authoritarian systems, the need to reverse austerity when it comes to defence and the importance of the Indo-Pacific region, climate, and new technologies. The reports went to lengths to justify leaving the EU and sees Europe now as a security commitment due to NATO, it now has little importance for Britain in any context. Whilst the reviews briefly mention France, Germany and Ireland, for Britain Europe has now been replaced by Asia and Britain now sees this region as the critical region it needs to focus on, tilt towards and gain influence in. The region's emergence as an economic heavyweight and trade opportunities are key priorities for Britain now, gaining trade deals will replace the lost trade with Europe.

The reviews designate China as the nation that Britain needs to develop a clear policy on. But the report did not make this any clearer and for the last year China has been a power not playing by the global rule-based order and on other occasions an important trade partner for Britain. The Conservative party is still not clear on whether China is a hostile power or a systemic challenge. Many Tories have taken the latter position. Britain wants to take advantage of

the economic opportunities in Asia and that means mainly China and that explains why the UK has a schizophrenic view towards China. Boris Johnson's speech regarding the review and position on China contained little detail and this ambiguous position towards China is likely to remain as the UK's primary post-Brexit policy. A mix of economic cooperation and ideological confrontation will likely ensue reflecting Churchill's attitudes towards Soviet Union during WW2 and post-WW2.

Britain continues to prioritise the 'special relationship' with the US, a term first coined by Winston Churchill. This is despite Prime Minister Boris Johnson's saying that this makes Britain sound 'needy and weak'. With the US being the leader of the global liberal order working with the US and attempting to influence her, the AUKUS deal was an example of this.

British politicians and policy makers are emphasising 'hard power' and increasing nuclear capabilities. Global Britain revolves around looking upon international relations as power relations in which each country's status depends on her 'hard power' capabilities. This implies the UK is likely to continue to walk on the 'power' path and increase her defence budget further, in order to be perceived as a power.

"Britain's economic and military decline has impacted her political influence around the world and whilst the EU has been blamed for all Britain's ills the special relationship is nothing new and will do little to reverse Britain's influence around the world. Global Britain lacks detail and a coherent set of actions to actualise it. Britain faces much bigger issues at home, especially with Scotland pushing for independence."



Scotland held her parliamentary elections in May 2021 and whilst the Scottish National Party (SNP) won the most seats it fell short of a majority. The SNP reached a deal with the Scottish Green Party in August 2021 and together, the two parties' control 71 of the 129 seats in the Scottish Parliament. With enough seats in the parliament this gives the government the ability to pass laws, budgets and gives it enough seats to pass legislation for another independence referendum. The Westminster parliament has rejected this idea as it raises serious questions of the UK's territorial integrity.

Scotland's First Minister Nicola Sturgeon had stated in 2020 that if her Party won the country's parliamentary elections in May 2021 she would push for an independence referendum soon after. The SNP was always going to win the election which now places it in a position to push for another independence vote. The SNP regularly polls above 50% as the party has long campaigned on the promise of another independence vote. Scotland's original independence referendum in 2014 saw 55% of the public vote to remain with the UK, but since Britain's departure from the EU the SNP argues the legal and economic conditions of Scotland have changed and this justifies another independence vote.

But the SNP does not want to unilaterally hold a referendum as this may lead to economic issues and international isolation. Catalonia unilaterally declared independence from Spain in 2017 and many European governments sided with the Spanish government and many companies moved their operations outside of Catalonia. With such repercussions the SNP wants to hold another referendum that has legal backing

which means Westminster needs to approve it, but the British Prime Minister, Boris Johnson has said Scotland should not hold another referendum until the 2050s. The SNP has suggested that it could take the issue of the UK Parliament's powers over an independence referendum to court, which could open the door to a lengthy legal dispute.

Whilst Britain is marketing 'Global Britain' as her foreign policy long-term questions remain about Britain's territorial integrity. Any Scottish departure would lead to the UK losing 10% of her economy and 33% of her territory and 8% of her population. Westminster would also lose access to oil and fishing rights in the Scottish part of the North Sea. The UK's nuclear deterrent would also need to change as Scotland hosts the Trident missile system. If Scotland does indeed secede from the UK, the issue of Northern Ireland would also raise its head.

The British government commissioned a report in 2020 which assessed the various measures that can appease calls for Scottish independence.³⁶ The measures included transferring additional financial powers to Scotland and granting it a different status from the rest of the UK on issues such as immigration.

As matters stand it's unlikely Scotland will become independent in the short term. But in the long-term London lacks the influence, power or capabilities to keep the UK isles united. The days of empire are well behind it now, which was one of the main reasons Scotland joined the union and now that the UK has left the EU, this is a major reason for the SNP to pursue independence.



Challenges Ahead for Germany's New Leader

Germany held her federal elections in September 2021. It was the first election in two decades for which chancellor Angela Merkel was not a candidate. Germany's election outcome was important because the result doesn't just affect Germany but also the European Union.

With a GDP of \$4.3 trillion, Germany is not only the fourth largest economy in the world, but is also the largest economy in Europe. Germany is the key decision maker in the EU and the electoral result doesn't just determine policies in Germany but the EU as a whole. The electoral result would impact the whole of Europe. Whilst the electoral result was a hung parliament, whether the German government was conservative or socialist, this impacts the whole of Europe as each party has different positions on public spending and policy areas such as climate change.

Germany has a multiparty political system in which coalition governments are needed to form the government. This already exists in Germany at the regional and local level and at the national level this makes negotiations a long and complex process. In the last elections in 2017 it took 6 months to form a government. The Social Democratic Party of Germany (SPD) won the election with 25.7% of total votes, their best result since 2005. They are now the largest party in Germany, the first time since 2002. Angela Merkel's ruling CDU/CSU, saw their worst ever result with 24.1% of the vote, a significant decline from 32.9% in 2017. Alliance 90/The Greens achieved their best result ever with 14.8% of the vote, while the Free Democratic Party (FDP) made small gains and

finished on 11.5%. With a fragmented electoral result complex coalition talks began and made the Greens and the FDP kingmakers. It took 2 months to finally agree on a three-way coalition government due to significant differences on fiscal and environmental policy negotiations. The centre-left Social Democratic Party (SPD), the environmentalist Greens and the pro-business Free Democratic Party (FDP) confirmed at the end of November 2021 that they had reached a deal to form a government and the appointment of SPD leader Olaf Scholz as Germany's new chancellor. But the new chancellor and government now face several key challenges.

Germany, like many nations in Europe, has seen an uneven COVID-19 pandemic recovery with long lockdowns that led to the closure of Germany's manufacturing industry and with schools being closed for over a year. Germany has made rapid progress with her vaccine roll out with 60% of the public vaccinated but a number of campaigns against the vaccine rollout has seen the rollout stuck at 60% of the population. Many Germans have followed various conspiracies and don't trust the vaccines and see COVID-19 as a hoax. With the EU funding the region's economic recovery Germany will be required to contribute towards this as well as deal with the COVID-19 fallout in her own country.

Pressure is growing on Germany regarding her relations with both Russia and China. Angela Merkel took an indifferent approach to both nations during her tenure. Merkel maintained good relations with Russia but applied sanctions upon her after her an-

nexation of Crimea. But she then supported the Nord Stream 2 pipeline. Donald Trump applied sanctions on those involved with the pipeline, as the US believes it would make Europe even more reliant on Russian energy. Regarding China, Merkel constantly criticised China for her human rights record but pushed for a foreign investment deal with her.

On Climate Change Germany has always had opposing views by the different political parties across her political spectrum. The Greens who will likely be part of the coalition government want a green deal that requires strict emission targets and want to get Germany into a net zero position. This will have major implications for German industry and policies

will need to be agreed to achieve this and protect German industry at the same time.

Germany's relations with the US have been a cornerstone of her foreign and security policy in the post war era. Germany has relied on NATO for the past seven decades but the calls for Europe to have her own defence force is growing louder and whoever the new chancellor is they will have their work cut out on dealing with this security issue.

Olaf Scholz was sworn in as Germany's chancellor on 8th December 2021 bringing to an end to the experienced hand of Angela Merkel.



Conclusions

The EU faces many challenges from how much global influence it has to her future to where it will expand to and who will lead it. The departure of Britain has still left a number of unresolved issues and with the stable hand of Angela Merkel gone the French leader is not seen as an experienced hand to lead the EU. The future of the EU still remains uncertain as it remains unclear where the EU will expand and who will become new members. Much of the EU remains divided over this. As the Far East rises in importance the EU has her work cut out.

2022



EU-UK relations

It's been two years since Britain departed from the EU and relations remain tense. Rather than a structured process it would seem every issue turns into a broader controversy. On Northern Ireland the UK contends that the Northern Ireland protocol is creating trade diversion and societal disruption and therefore needs to be radically overhauled. Whilst the EU suspects the UK is deliberately stoking political tension in Northern Ireland in order to wriggle out of treaty commitments it never intended to honour. There also remain a number of other issues such as financial services where the UK has failed, for the moment on the significant issue of EU market access for her financial institutions. On data, privacy and foreign policy the EU and UK are already having major issues and it remains to be seen if these will get resolved in 2022.

The Battle for Fishing rights

A dispute between Britain and France about fishing territories escalated in October 2021 as the French authorities detained a British trawler with Britain then summoning the French ambassador for talks. Under the Brexit arrangements licences are now required but French fishermen feel their applications for licences are being rejected, especially by officials in Jersey. The French government has threatened to subject British fishing companies to lengthy bureaucracy in order to bar British fishing vessels from French ports and possibly cut off the power supply to the Channel Islands. The British government, meanwhile, has threatened retaliatory measures. The Royal Navy is on standby in case French fishermen try to blockade those islands. Discussions are getting nowhere and the added complication of refugees crossing the channel has added another political dimension between the French and British. It remains to be seen if this escalates into something bigger in 2022.

Europe being left behind

Europe was the centre of the world for nearly 500 years, but since WW2 her influence globally has declined and the rise of the Far East and her rapid rise into a region of economic importance means Europe is slipping towards irrelevance. The constant competition between European nations means a unified European policy has been difficult to manufacture let alone hold. The departure of Britain from the EU has not only divided the continent but it's also undermined her credibility as a place of stability that can shape events around the world. With the growing economic might of the Far East, Europe in 2022 and beyond faces a challenge that may define her very future.

Global Economy

The hit to the global economy due to COVID-19 carried over into 2021 with uneven economic growth across the world. The vaccination divide between the developed and the developing world had a huge impact on the supply chains of the global economy. But world leaders got together to try to deal with the climate issue. Whilst this was all taking place the world saw the first national experiment with a cryptocurrency.



Global Economy Struggles to Grow

Like 2020, the global economy was dominated by the COVID-19 pandemic and the various governments' response to it in 2021. Economic decline was deep in 2020 and growth in 2021 was uneven. The International Monetary Fund (IMF) in its outlook for the global economy in October 2021, warned that the threats to the economic recovery from last year's COVID-19 disruptions are growing, along with a "dangerous divergence" between richer and poorer countries.

In the middle of 2020, most of the global economy was shut down due to lockdowns immediately impacting economic activity. Vaccinating the global population came to be seen as the solution to returning back to normal activity, but this was going to be a tall order when much of the world witnessed economic declines that were similar to the great depression. The rolling out of the vaccine was seen as the way to get back to economic normality. In August 2021 around 5 billion doses of the vaccine had been administered globally, but only 15.02 million of those doses were in low-income countries. By the end of 2021 almost 60% of the population in advanced economies are fully vaccinated and some people are even receiving booster shots. At the same time, nearly 96% of the population in low-income countries have yet to receive a single COVID-19 jab.

These vaccine problems emerged due to the global shortage of production capacity and vaccine raw materials, logistical difficulties in transporting and storing the vaccines, and hesitancy because of mistrust of the vaccines. The decline in the global economy was so deep that much of the architecture and supply chains across the world ground to a halt and is what caused the global supply chain crisis. Different parts of the world have experienced supply chain issues that have been exacerbated for different reasons. Power shortages in China have affected production, while in the UK, Brexit added to the problems caused by the pandemic including the shortage of truck

drivers. The US is also battling a shortage of truckers, as is Germany, with large backlogs at her ports. All of this may derail the recovery needed in the global economy.

The emergence of a third variant of the virus at the beginning of December 2021 could not have come at a worse time. The divergence between the West's vaccine roll-out and the developing world awaiting Western companies to provide them with vaccines could not have been starker. Former British Prime Minister, Gordon Brown highlighted: *"Despite the repeated warnings of health leaders, our failure to put vaccines into the arms of people in the developing world is now coming back to haunt us. We were forewarned – and yet here we are."*³⁸ According to Airfinity, the European Union has delivered only 19%, the UK just 11% and Canada just 5% of the promised vaccines to the developing world. China and New Zealand have delivered over half of what was promised, but their pledges amounted to just 100 million and 1.6 million respectively. Australia has given just 18% of what it offered and Switzerland just 12%. The result is that only 3% of people in low-income countries were fully vaccinated, while the figure exceeds 60% in both high-income countries and upper-middle-income countries. Every day, for every vaccine delivered as first vaccines in the poorest countries, six times as many doses are being administered as third and booster vaccines in the richest parts of the world. This vaccine inequality is the main reason why the WHO is predicting 200 million more cases on top of the 260 million COVID-19 cases so far.

There is a real risk at the end of 2021 that the inequality gap between rich and poor nations, and slower recovery in the developing world is increasing the risk of social unrest and economic crises. This chaos in manufacturing and distribution, which cannot produce and supply as much as they did prior to the pandemic, threatens the economic recovery.

Climate Politics



The COP26 global climate summit took place in Glasgow, UK, in November 2021. It brought together nearly 200 leaders who were asked to present their plans to cut emissions by 2030. There has been growing urgency about the state of the world from pollution to waste, droughts to the poisoning of the world's waters, and that something needs to be done as we are destroying the planet. But after decades of summits between the world's largest polluters, geopolitics rather than saving the planet dominates the outcome.

In 1988 the United Nations formed a group called the Intergovernmental Panel on Climate Change (IPCC). The IPCC first came together in 1990, stating that "emissions resulting from human activities are substantially increasing the atmospheric concentrations of greenhouse gases."³⁸ with various conferences being held and attended by both developed and developing countries. But it wasn't until 1997 that a so-called meaningful objective was achieved with the announcement of the Kyoto Protocol in Japan. An agreement which managed to get 192 parties in agreement, with "binding" emission targets. Although the agreement only came into place in 2008, more than a decade after announcement.

The position of the IPCC and many scientists is that the average temperature of the Earth is rising at nearly twice the rate it was 50 years ago and this cannot be explained merely by natural cycles. The contribution of greenhouse gases emitted by human societies via the combustion of fossil fuels is culpable for this recent direction. These greenhouse gases trap heat within our atmosphere including carbon dioxide and methane. This trapping of heat is very deadly for the planet and affects us in a multitude of negative ways.

The solution to this environmental catastrophe has been led by the left and focuses on gradually reducing emissions by moving away from fossil fuels to green sources. The G20 summit prior to the COP26 gathering saw a number of nations propose how they plan to reduce the use of fossil energy and move to Green renewable sources. There are numerous challenges for this to be achieved beyond most nations not sticking to their emission reduction commitments. Whole industries have been built upon fossil energy from automobiles, petrochemicals, agriculture, plastics, cement, steel, electronics and many others. China's economic miracle is built upon her use of her immense coal reserves and even today coal still provides 60% of her electricity. The left see the abandonment of fossil fuels as the solution to the environmental problems the world faces. The extreme environmentalists argue for the ban of fossil fuels and are concerned about nuclear energy and argue people should stop eating meat.

"The COP26 summit ended after two weeks of lengthy discussion and apocalyptic cries. In the end the final statement agreed to phase down rather than phase out coal use. The conference participants also agreed to meet again in a year's time to talk about everything all over again."

The opposition to this, which is usually found on the right of the political spectrum, is that global warming is somewhere between highly speculative and "the greatest hoax," to quote from the title of a book on the subject by Senator James Inhofe, a Republi-

can with significant influence on climate matters. They believe environmentalists use the spectre of catastrophic climate change to pursue an agenda of their own, one that places nature over the needs of people, forces the switch from fossil fuels to alternative energy sources, and tends toward “big-government intervention.” They argue that science does not show conclusively that climate change warrants the policies being currently pursued. Some on the right also believe changing the environment back is not economically feasible. They also assert that attempts to address climate change, such as caps on greenhouse-gas emissions, could cause more economic harm than their environmental good. Whilst others see the only solution is new technology that could replace the energy sources we use today. They just need around 50-100 years to invent such technology. The opposition to turning green is predicated on keeping the global economy the way it is and not making the drastic changes the left advocates.

Climate change is a scientific theory and science is always in a constant state of evolution. Our understanding of how different aspects of climate interact is expanding, as is our ability to forecast future environmental behaviour. Increased computing power increases modelling capacity. But we are still limited by instrumentation and by our inability to measure and fully understand climate conditions. Scientific models used to predict the magnitude of climate change, as well as the effects climate change will have in various regions, are not completely reliable. Given the multitude of variables involved in developing climate models, structural uncertainty is inevitable. Every equation output is used as an input somewhere else, exponentially increasing the effects of any mistake or incorrect assumption, and each iteration can breed new errors. In most climate calculations the data begins from only 1850. There are several ways to model climate scenarios, depending on the variables included and the weight given to each one. Limited and uneven data further complicate matters as more data is available on land than sea and more temperature readings are collected in highly developed countries than in developing ones. Forecasts also invariably rely on assumptions about future human behaviour and technological development.

None of this however detracts from the pollution spewed into the air, the waste poured every year into the world's rivers and oceans. The waste from over consumption, food wastage, the clearing of forests to make way for cities, these are all man-made disasters

that we face here and now. The US environmental protection agency estimated that in 2018 about 146 million US tons of municipal solid waste (132 million metric tonnes) were landfilled. Food was the largest component at about 24%. In many instances drinking water and food is contaminated with chemical pollutants from factories, fertilizer run-off from farming, and sewage, heavy metals, harmful chemicals, microplastics, and even radioactive isotopes. Pollution that is disposed of in rivers and into the sea is returned back to humans in the food we eat. These problems are with us irrespective of the situation with the environment.

The solutions to the climate do not address the lifestyles people are living and in fact attempt in their own way to maintain the same lifestyles with small changes. Perpetual economic growth, consumerism, debt and spending and material wealth is the system that Capitalism promotes and is the dominant ideology of the world. This issue requires systemic change, as many of the causes lay in the global capitalist system, but no one is currently proposing a solution that addresses the endemic consumerism fuelling demand for material goods, driving up pollution as well as economic growth. The focus on emission targets ignores the need to manage demand for material products in a capitalist system that clearly has no intention to challenge consumerism and an endless quest for economic growth. The international negotiations about targets are about powerful nations competing to act in their own interests – each trying to achieve an outcome in negotiations that favours itself.

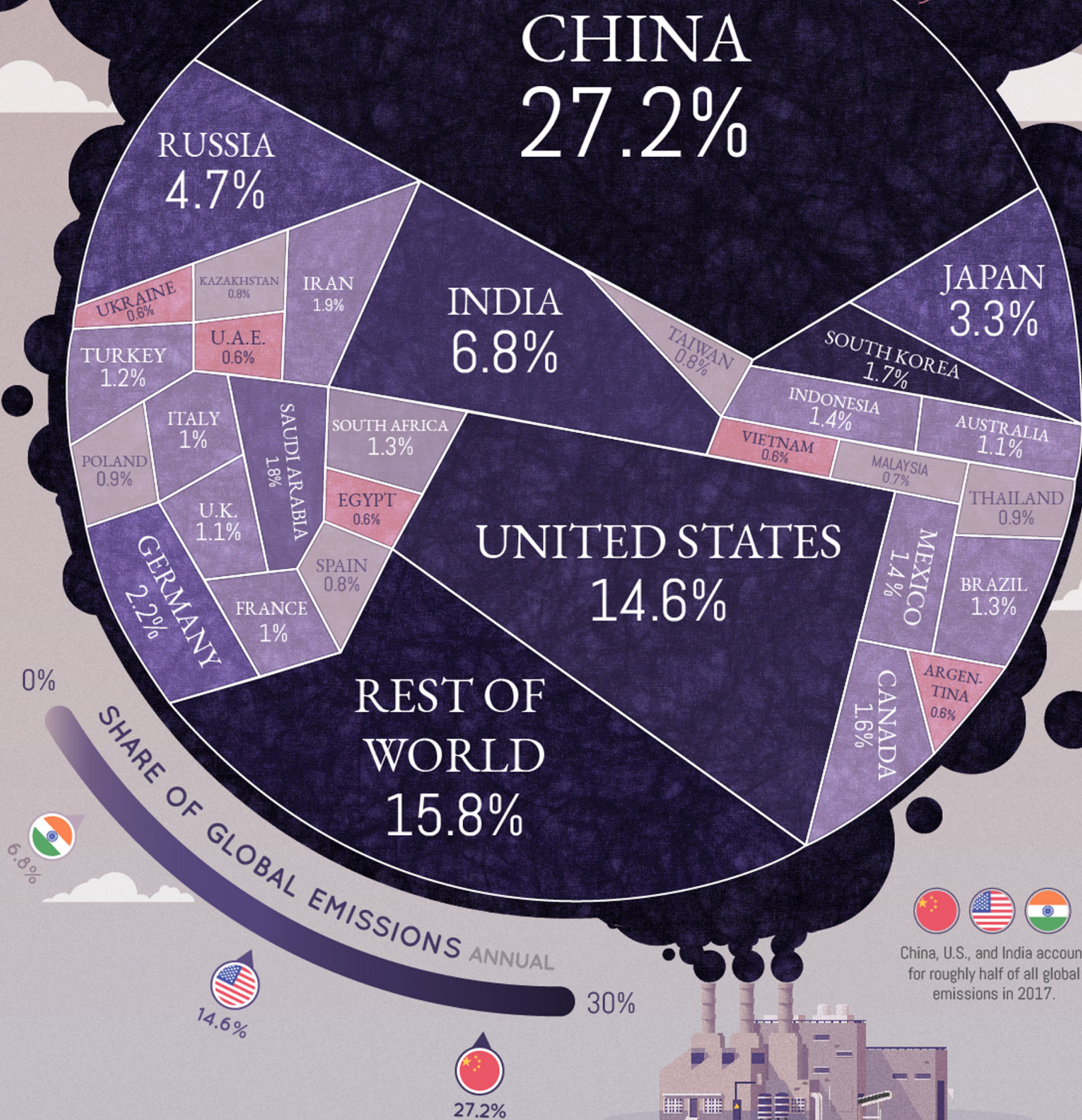
The COP26 summit ended after two weeks of lengthy discussion and apocalyptic cries. In the end the final statement agreed to phase down rather than phase out coal use. The conference participants also agreed to meet again in a year's time to talk about everything all over again.

Wanting an endless increase in material wealth whilst wanting to end environmental degradation is in the end, a fantasy.



ALL THE WORLD'S CARBON EMISSIONS IN ONE CHART

TOTAL GLOBAL EMISSIONS IN 2017 (36,153 MTCO)





The World's First National Cryptocurrency Experiment

On the 7th September 2021 the Central American nation of El Salvador made Bitcoin legal tender becoming the first country to make the cryptocurrency the nation's currency. The implementation at a national level presents the first case study of the impact such a move has on business, taxation, investment and wider society.

The law that agreed to the implementation of cryptocurrency was passed a mere 90 days before the new currency was implemented. This was a very short time for banks and businesses to prepare but the government, led by president Nayib Bukele, argued that the move will support development and attract foreign investment in El Salvador, which has one of the lowest incomes per capita in Latin America. Under the country's new law, all businesses would need to accept Bitcoin as payment for goods and services, alongside the US dollar, which has been the national currency since 2001. Andrés Pineda, treasurer at Banco Cuscatlán, said many of the country's 6.5 million population are struggling to understand the wider implications. *"It's been very challenging for many people,"* he said. In common with other banks in the country, Banco Cuscatlán had about three months to reconfigure its operations after the country's legislature passed the Bitcoin law in June. *"It was a relatively short period of time to get everything in place by September 7, we had to educate ourselves to better understand what changes we might expect,"* Pineda said.³⁹

The roll-out faced serious problems straight away. The app that allowed citizens to check their accounts

– Chivo, crashed on its first day of operation and continued to crash in the first week.

There was a lot of opposition to the move to Bitcoin and the implementation of the cryptocurrency led to wide scale protests with many targeting ATM's. Polls in September 2021 showed over 60% of Salvadorans disagreed with the government's move to Bitcoin. Many remained sceptical of the financial implications as well as the motivation.

Sensing the opposition, the government gave all citizens \$30 in bitcoin, once they downloaded the Chvi app, which then led to the collapse of the app. New ATMs were installed across the country that would allow citizens to exchange their money for Bitcoin.

66% of El Salvador's population doesn't have access to the internet and this was what caused much of the widespread protests. This has remained a major obstacle as 2021 came to an end. The government began an aggressive internet access campaign to convince most of its population to get online but this has remained a major impediment to payments in Bitcoin. But there has been another major challenge. Mining Bitcoin requires large amounts of electricity. El Salvador's electrical grid is already stretched to breaking point. El-Salvador has some of the highest retail electricity rates in the Americas.

70% of El Salvador's population don't have bank accounts. By forcing Bitcoin and the issue of digital wallets it means there is now another way to monitor payments and salaries and thus for the government

to tax its citizens.

Bitcoin has historically been very volatile. The cryptocurrency's volatility is more than commodity prices or the stock market. If one is paid in bitcoins the value of their salary can drop by 30% in a day! If you're living in a developing nation this is very costly. The volatility associated with El Salvador's move to adopt Bitcoin may lower the market rate of the country's foreign debt, potentially threatening El Salvador's ability to access external financing ahead of bond redemptions.

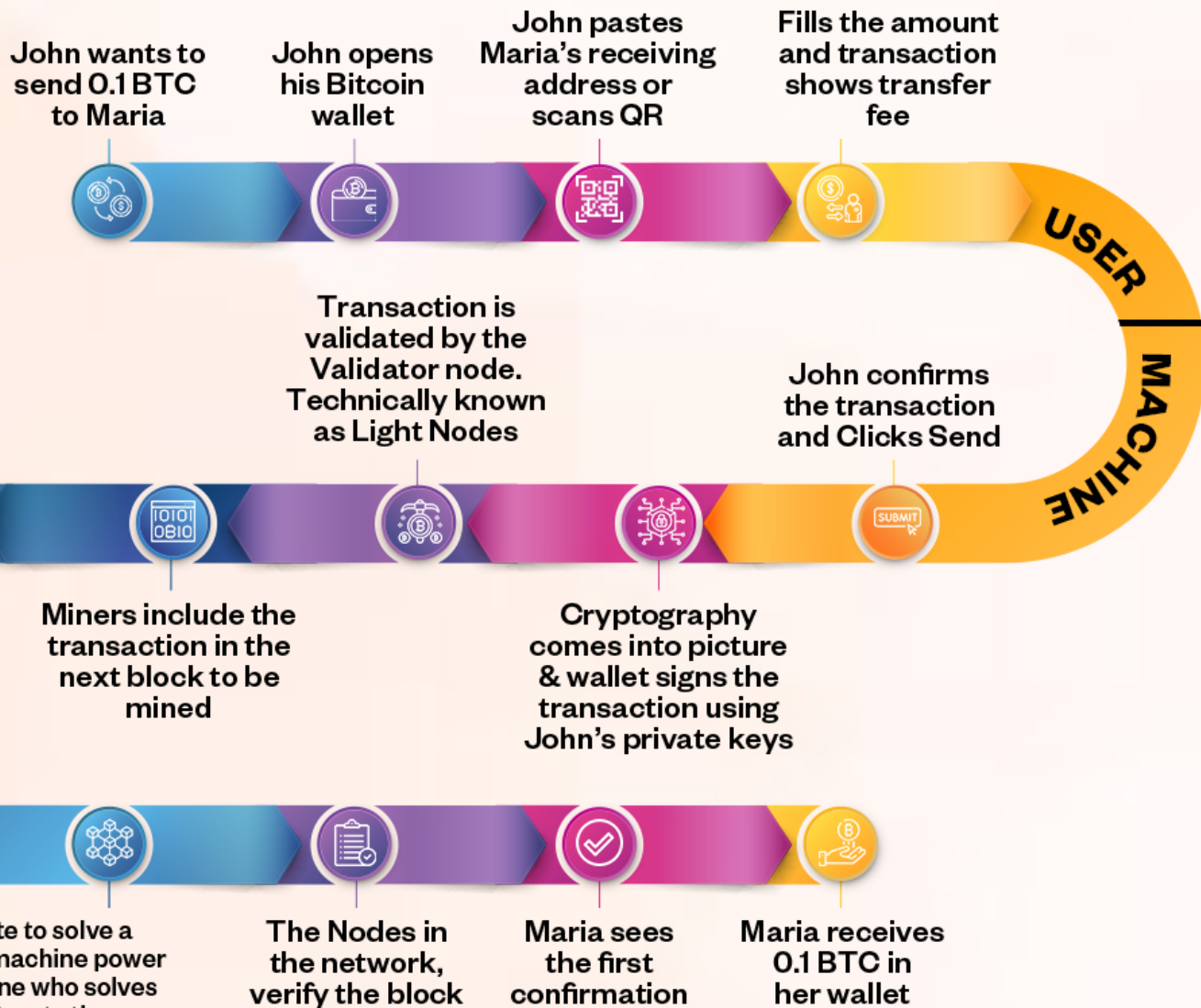
The move has already created tensions between the government and the International Monetary Fund, which considers cryptocurrency as a legal tender 'a threat to macroeconomic stability' and potentially harmful to financial integrity through its use in illicit activities. El Salvador is currently in negotiations with the IMF for a \$1 billion programme to patch budget gaps through to 2023. Should the volatility of Bitcoin affect wider economic policy, it would likely hamper these negotiations, hurting the already poor performance of the country's sovereign bonds.

El Salvador's adoption of a cryptocurrency has

attracted other nations, albeit in the region to gauge the feasibility in their nations. Legislators in Mexico, Panama, and Paraguay have proposed similar laws. Some countries are considering government-sponsored cryptocurrencies pegged to an existing currency, such as in the Eastern Caribbean. The Eastern Caribbean currency union launched a digitized version of the Eastern Caribbean dollar called "DCash" in April 2021, making it the world's first currency union to implement a blockchain-based currency. It is too early to judge the success or failure of El Salvador's experiment with Bitcoin. But with large black economies and with many citizens not in the formal economy, it remains to be seen when and if the more developed economies see cryptocurrency as an alternative to physical currency or a supplement to it. There are digital technologies that can curtail corruption and promote access to government and financial services, Bitcoin does not do these things. The move by President Nayib Bukele was not planned correctly, or given much time. It was really an effort to introduce new money into the Salvadoran economy and escape the challenges associated with adopting the US dollar back in 2001. As El Salvador depends on remittances denominated in dollars it's unlikely citizens will want to embrace the cryptocurrency.



THE LIFE CYCLE OF A BITCOIN TRANSACTION



The Miners who add the block, get rewarded with freshly minted Bitcoins & transaction fee of the transactions stored in one block

Conclusions

The global economy in 2021 saw many nations struggle to generate economic growth especially as many social welfare programmes come to an end. With the rate of infections increasing in the winter a number of nations began restrictions in order to bring the rate of infections and potential deaths under control. The emergence of the third strain complicates this picture and with social unrest growing in places such as Holland and Austria it's likely this will spread to other nations where many have fallen victim to the economic costs of the pandemic.

2022



The COVID-19 Pandemic Drags On

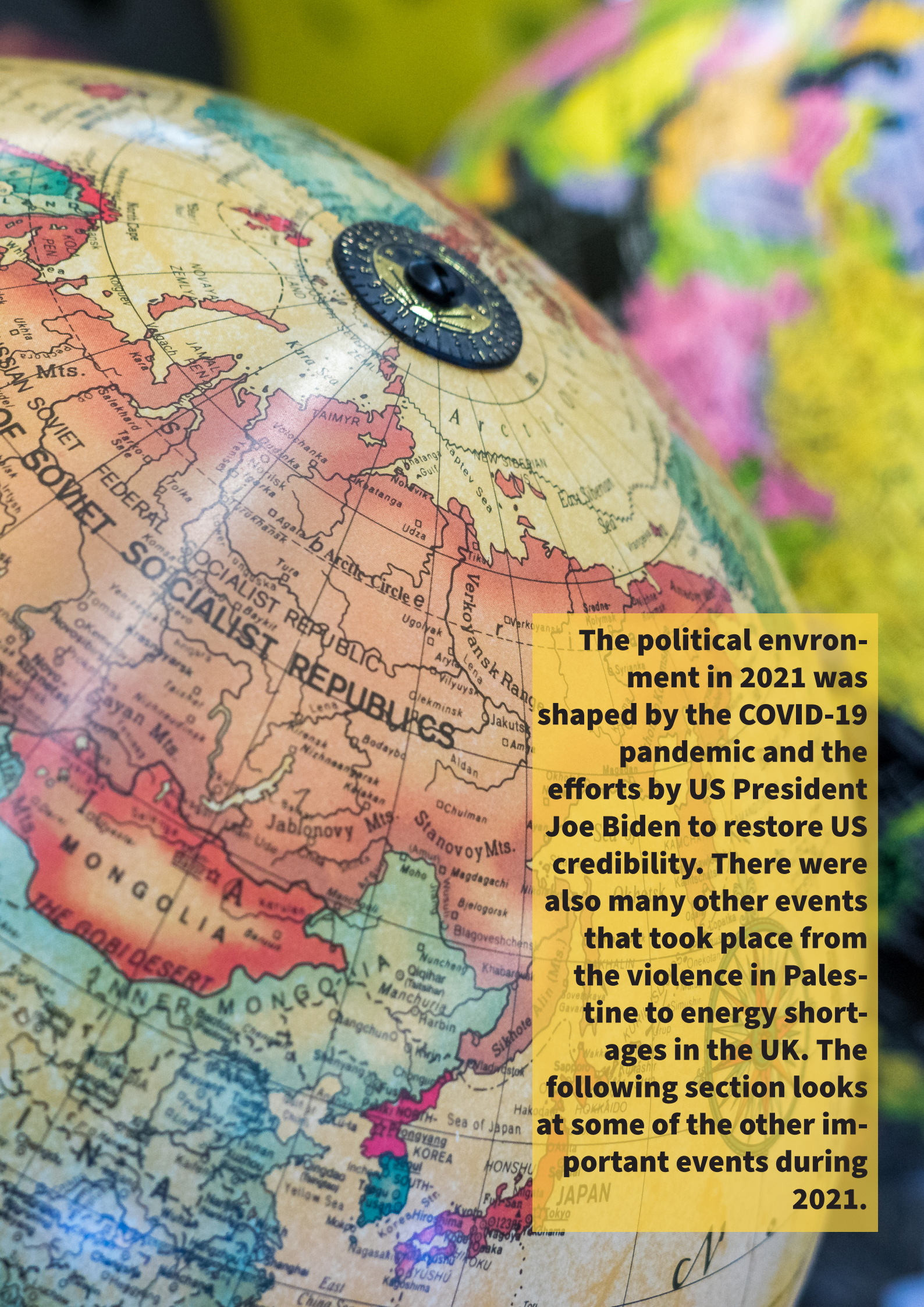
Global economies are still subject to the shockwaves caused by the initial round of COVID-19. Because the proportion of unvaccinated people remains high, plus the weakening effects of the vaccines and the growth of new variants, COVID-19 cases continue to spike around the globe, creating new economic shocks, which will continue into 2022 and possibly even longer.

The Supply Logjam

With the third strain of COVID-19, the problems with the global supply chain will likely not be resolved in 2022. For many of the world's largest companies they will need to address where to source, produce and how to distribute their products around the world. The supply chain problem is not just one of moving factories from China to another country in the region. Companies in 2022 will need to consider how much of their supply chains should be international versus domestic to mitigate future production and supply chain problems.

US China Trade War

The trade relations between the US and China are a major factor in the global economy. Whilst President Trump went full war on trade against China, many were expecting the Joe Biden administration to reverse much of this. But tensions have not relaxed, they have in fact increased with Taiwan taking centre stage between both nations. Both nations have been busy with domestic issues, especially COVID-19 but as the Phase One trade comes to an end in January 2022, the US trade representative Katherine Tai already said she will not pursue a Phase Two trade deal as she believed China has not stuck to the Phase One trade deal due to China's state subsidies. The Phase One trade deal did not even cover the key issues between both nations and with President Biden's public approval ratings in decline it's likely he will have to take a tough stand in the trade war.



The political environment in 2021 was shaped by the COVID-19 pandemic and the efforts by US President Joe Biden to restore US credibility. There were also many other events that took place from the violence in Palestine to energy shortages in the UK. The following section looks at some of the other important events during 2021.



The Arab Spring, a Decade On

It was a decade ago that a Tunisian street vendor became the spark that set the Middle East alight. But a decade on, the aspirations of the people remain unfulfilled and the factors that caused the Arab Spring, from many perspectives, are far worse.

It was a decade ago that a Tunisian street vendor became the spark that set the Middle East alight. What began with a single man in the markets of North Africa spread to thousands on the streets in Egypt and evolved to hundreds of thousands demanding political change in the entire region. The self-immolation of Mohamed Bouazizi created a sweeping wave, which crossed from Tunisia to Egypt, Libya, Yemen, Syria and Bahrain until it engulfed most of the Middle East. The impact of the Arab spring is still being felt in a number of countries a decade on but not in the way many had hoped. But the factors that caused the Arab Spring are still with us and from many perspectives a decade later, they are far worse.

A decade ago, the people of the Middle East took to the streets and braved the regime crackdowns to protest against the status quo which had for long dominated the political, economic and social landscape. The reaction of the rulers was as predictable as it was brutal with violent clampdowns leaving thousands dead and many more injured. But a decade on, much of the architecture remains in place that the people set out to overthrow. In Egypt, the military removed the ailing Hosni Mubarak from power but maintained her own position where the military still controls in excess of 40% of the economy.⁴⁰ In Tunisia a similar situation took place where the ruling elite of the Ben Ali era ensured the underlying system only saw limited reforms. No nation or government is ever

one person. Even the most brutal dictators from Kim Jong-Il of North Korea to Adolph Hitler relied on a trusted cadre of officials and institutions or intelligence services to effectively rule. In the case of the Arab spring, aside from Syria none of the countries saw the targeting of the ruling elite or the systems that keep them in place. Whilst Hosni Mubarak and Zine El Abidine Ben Ali were removed, the truth is the systems they led remain in place, a decade on.

After decades of persecution the Islamic political parties managed to reach political power in Egypt and Tunisia, but they abandoned Islamic rule at the first opportunity. In Egypt, the Muslim Brotherhood (MB) who for nearly a century advocated Islamic rule became pragmatic when it came to implementing Islam after winning the presidential and parliamentary elections. They concluded that implementing the Islamic economic system, foreign policy and social system would scare international investors, the international community and affect foreign investment. Despite advocating for so long that Islam was the solution, they came to follow that Islam was not the solution. In Tunisia Ennahda by 2016 formally announced it was abandoning its Islamic agenda and pursuing a programme that would no longer take Islam as its identity. Ennahda's leader Rachid Ghannouchi explained the u-turn: *"following the revolution of 2011 and the adoption of the new Constitution in 2014, there is no reason for a party in Tunisia to refer to the term political Islam."*⁴¹

Both Ennahda and the MB abandoned Islam and failed utterly when they attempted to rule with secularism. Both parties effectively used the peoples Islamic sentiments to come to power, and once in power they presented the impracticality of Islam as a justification for their own incompetency. The

architecture of the Middle East was created by the European colonialists and whilst the US has replaced much of Europe's influence she was not going to let the indigenous people of the region remove her influence. US interference and the interference by numerous other nations led to civil wars as different powers backed different factions. In Libya and Yemen, the countries have descended into chaos and Britain and the US with their proxies continue to battle it out for control of the two nations. In Syria, despite publicly advocating that Bashar al-Assad needs to go, all the nations who got involved crippled the resistance and turned the country into a civil war between proxies representing both regional and international powers. Many in these countries turned to foreign help in the hope they could tip the balance of power over their rulers, but this was used to interfere in the countries and ensure real change did not take place.

The economic failure, poverty, authoritarianism and oppression of the masses were all factors that drove many to the streets a decade ago. Today, all of these problems remain and in many cases are far worse. In Egypt poverty, unemployment and wealth inequality has worsened as the military junta have driven the economy into the ground. Even countries that did not see uprisings a decade ago have seen protests grow as they have failed to deliver prosperity to their people. Algeria, Sudan, Iraq, Lebanon, Iran and Egypt were witnessing discontent as recently as 2019 and were it not for the COVID-19 lockdowns these would have swelled to ever greater numbers. The region's autocratic rulers, monarchies and dictators still stick to using their iron grip to remain in power whilst they fail in dealing with the very basic needs of their people.

What took place a decade ago was the removal of the shackles that had handcuffed the people for so long. The fear that for long held the people in check was removed and many moved to take their destiny in their own hands. The regions rulers have shown they are as incompetent as they are brutal and assume this will allow them to maintain their thrones. What took place a decade ago was a tremor which rocked the region and before all earthquakes you have tremors. With all the underlying conditions remaining in place that initially drove the masses to the streets, an "Arab Spring 2.0" is a matter of when, rather than if.

"Both Ennahda and the MB abandoned Islam and failed utterly when they attempted to rule with secularism. Both parties effectively used the peoples Islamic sentiments to come to power, and once in power they presented the impracticality of Islam as a justification for their own incompetency."





Royal Intrigue in the Desert

The rift within the Hashemite Royal family of Jordan burst into the public realm with talk of a coup plot against the King. The rift however took place as the Kingdom faces numerous economic problems.

The rift between the Hashemite King, Abdullah II, and the former Crown Prince, Hamzah bin Hussein, burst into the public realm in April 2021 with talk of a coup plot against the King. Palace officials said there was a complex and far-reaching plot that included other Jordanian Royals, tribal leaders and the kingdom's security establishment. The Hashemites have faced numerous coup attempts in their history, but what made this different was the very public rift amongst the Royal Family, including the very public criticism by the stepmother of the king accusing him of 'wicked slander'.⁴² But the Hashemite Royal Family has been facing much bigger challenges than their family rift, the COVID-19 outbreak has exposed the kingdom's numerous underlying economic problems.

The Hashemite Kingdom of Jordan was and remains an artificial construct. After the dissolution of the Ottoman Caliphate in 1924, the British Empire granted control over the newly formed states of Iraq and Transjordan to the sons of Sharif Hussein ibn Ali, Faisal and Abdullah respectively. Abdullah became the ruler over Transjordan, an entity which never existed previously. Jordan was created purely to fulfil a pledge the British made in 1916 to Sharif Hussein in return for rebelling against the Ottomans. The Hashemites, thus, became the monarchs over an artificial nation. The Hashemites used the indigenous Bedouins to balance the large Palestinian population

that were expelled from Palestine since the creation of Israel and who moved to Jordan. Playing one faction against the other has led to numerous conflicts for which the monarchy has acted as mediator. The Bedouin tribal Jordanians have traditionally been the core of the Hashemite monarchy, giving it legitimacy and power through the Hashemite domination of the security services, making them a vital source of support for the monarchy.

The resentment of the Bedouin tribes towards the monarchy has been building since King Abdullah II's ascension to the throne in 1999. The position of the Bedouin tribes has declined due to losses in the agricultural sector, reduced public spending, privatisation of state-owned enterprises and corruption. As a result, the Bedouin's support for the monarchy started to wane after being the King's traditional power base for decades. The 41 year old Prince Hamzah bin Hussein, who is half-brother to the King, was the Crown Prince from 1999-2004 and then stripped of this title. Ever since, Prince Hamzah has been using his relations with the Bedouin tribes to weaken the King's rule and he has used the country's economic problems to make regular appearances at protests and meetings to discuss grievances with ordinary citizens. Prince Hamzah openly criticised the government of 'failed management' after it passed a law increasing taxes on workers, which led to thousands taking to the streets in the Kingdom. Whilst the King long ignored his half-brother, it seems Prince Hamzah's cultivation of ties with the powerful tribes, was seen as a threat that had to be dealt with.

Stability in a Sea of Chaos

The Hashemite Kingdom has long had an image of stability in the Middle East, especially with the events that have shaken the region from the creation of the Zionist entity and the wars with it, the Cold War in the region and the rise of leftist regimes, the Iranian revolution in 1979 and the Arab Spring in 2011. The Hashemites were seen as mediators and a reliable player in the region by Western leaders.

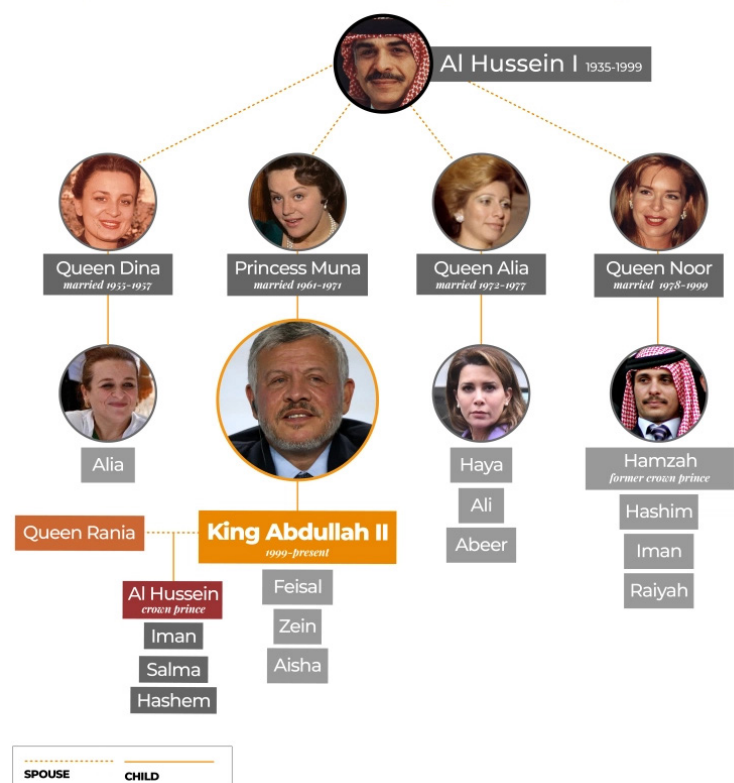
The reason for this stability has little to do with the monarchy, but more to do with Britain. British diplomacy and intelligence had been instrumental in stabilising Jordan since it came under the mandate of Britain. It was a British strategy to make Jordan a buffer zone in the region, especially for regional conflicts. Jordan has played this role for the Palestinian conflict since 1948. It played that role when the civil war devastated Lebanon in the 1980s. In 1991 it became a buffer zone for the Iraq conflict as well as a location for a number of rebel groups in the uprising in Syria. This British relationship with the Hashemites has allowed London to keep rival forces, both local and international, from destabilising Jordan since a buffer zone serves the interests of all concerned parties. All the Hashemites needed to do was manage the artificial country domestically in order to play this regional role. However, Jordan has very limited resources and her economy was for long funded by the Gulf States. The global economic crisis from 2008 as well as long term corruption and now the COVID-19 pandemic has turned many ordinary Jordanians and Bedouin tribes against the monarchy.

The economic situation in the Kingdom has for long been desperate. Unemployment is running at 30% whilst poverty in the Kingdom is 20% and the lack of revenues by the government has led to higher taxes against the public. This all took place with the King earning millions from his investments in the West. Queen Rania has long been famous for spending millions on her annual wardrobe, whilst many in Jordan languish in poverty. Some estimates believe she spends over \$2 million a year on shoes and bags!

It is not surprising that many experts on the Middle East believe King Abdullah may have engineered this crisis both to silence his critics and to stifle the Jordanian public's increasing public dissent against the crown. Whilst Prince Hamzah was the most high-profile arrest in the crackdown, King Abdullah also arrested many others who were challenging

his rule such as the two prominent leaders of the Al-Majali political clan, which was for long a pillar of Hashemite rule and Bassem Awadallah, a former top aide to King Abdullah, finance minister and envoy to Saudi Arabia, who is also an advisor to Saudi Crown Prince Mohammed bin Salman. This would indicate Prince Hamzah has made progress in building his support base, but has now ultimately failed with the crackdown. Since the alleged coup plot, King Abdullah's uncles mediated between the Royals and Prince Hamzah pledged allegiance to King Abdullah days after releasing two clips in which he denounced corruption and poor governance. The agreement took the immediate sting out of the rare public airing of differences within the ruling family.

Jordan celebrated her centennial anniversary on the 11th April 2021, but it was dominated by the royal feud. King Abdullah did not resort to the tactics Mohammed bin Salam (MBS) of the Saudi monarchy used to shore up his position, and this is likely due to the fact that Abdullah senses his management of the country has weakened his own position to take more drastic action. Months after the alleged coup there didn't appear to be any foreign backing of Prince Hamzah's attempted coup, so it seems to have been a royal intrigue between brothers for power.





Rocket Politics

A ceasefire deal brokered by everyone apart from Hamas and the Israeli authorities in May 2021 led to the criticism of the Israeli war in Gaza. Leaks emerged of the Israeli Air Force failing to destroy Hamas' network of defensive tunnels, and Israeli defences struggling with Hamas rocket attacks. The resistance in Palestine caused serious concern for Israel despite the Zionist's one-sided, asymmetric war on civilians.

Matters in Palestine escalated after Zionist settlers once again began evicting Palestinian residents, this time in Sheikh Jarrah. The area is named after the personal physician to Salahuddin, the Muslim conqueror who retook and liberated Jerusalem from the Crusaders in 1187. After the 1967 war, Zionists captured more land from the Old City, East Jerusalem, and the neighbouring West Bank. The infringement into Sheikh Jarrah is part of Israel's plan to seize all of Jerusalem. This latest chapter of ethnic cleansing was followed by Israeli forces storming one of the holiest mosques for Muslims during their holiest night – leaving hundreds injured with many permanently blinded by rubber bullets and explosives.

The incessant attacks led to retaliation from Gaza – rocket attacks into Israel. Mostly made from scavenged parts that wouldn't be out of place at a plumber's shop, Palestinians used all their know-how to fight with the most meagre of means. Hamas also recovered dozens of Israeli missiles that had not detonated in previous strikes on Gaza and attempted to reverse engineer them! For Palestinians, the rockets

symbolise their resistance to Israeli dominance and occupation. However, the latest fire has surprised Israeli authorities.

Asymmetric Warfare

Israeli intelligence has estimated that Hamas, Islamic Jihad and other Palestinian resistance groups have about 30,000 rockets and mortar projectiles stashed in Gaza. While the rockets are of widely varying ranges and lack guidance systems, the militants have been able to improve their accuracy.

The frequency and range of attacks from Gaza in April 2021 was unprecedented. While most rocket attacks were aimed at southern and central Israel, longer range rockets managed to reach further north into Israel's heartland. Hamas has not only managed to replenish its stock but to improve its capabilities.

The short-range rockets, known as Qassams (named after Hamas' military wing) have a range of roughly six miles, these are produced easily and cheaply. The medium range rockets are based on Iranian and Russian design, capable of reaching targets up to 15 miles.

The longest-range rockets can travel much farther and can hit Tel Aviv, Jerusalem and Ben-Gurion Airport. They include the M-75, a locally made rocket with technology supplied by Iran, and the J-80, a locally made rocket named after a famous Hamas military commander, Ahmed al-Jabari, killed by an Israeli airstrike in 2012. On 20th May 2021, Hamas

claimed in a statement that it had a missile with a range of 250 km, about 155 miles, that can hit anywhere in Israel, but that's not all.

An analysis by Michael Armstrong, an associate professor of operations research at Brock University in Canada, found a significant increase in the rate of fire. Using numbers from the Israel Defense Forces (IDF), Prof. Armstrong, who studies these weapons, cited 470 rockets fired from Gaza during the first 24 hours of the escalation in April 2021 compared to a peak of 192 rockets per day in 2014 and 312 in 2012.⁴³

Hamas, he says, also launched more long-range attacks with 130 rockets fired at Tel Aviv in one evening alone, representing close to 17% of all fired rockets until that point. In 2014 that rate was at eight percent and in 2012 at less than one percent.⁴⁴

How does Israel try to prevent retaliatory attacks?

Iron Dome

Considered among the most advanced defence systems in the world, Israel's 'Iron Dome' system uses radar to identify and destroy incoming threats before they can cause damage. The all-weather system was specially designed to help combat shorter-range rudimentary weapons like the rockets fired from Gaza. But some analysts say the intensity of recent barrages from Gaza suggests militant groups are attempting to overwhelm the Iron Dome – raising concerns about the system's possible limitations.

The Israeli military says her missiles intercept more than 90% of the rockets targeted. But the Iron Dome doesn't chase down every rocket. In fact, according to official IDF data, the system has destroyed fewer than half the rockets and mortars fired by Hamas and Islamic Jihad. The Israeli Air Force said that approximately 3,100 rockets had been fired from Gaza since the start of the latest conflict in April 2021. About 450 had fallen short and failed to penetrate Israel. Of the remaining 2,650, about 1,210 had been intercepted. Why?

Firstly because the system "decides" which rockets to intercept and prioritise. Those aimed towards more densely populated areas and critical infrastructure are to be intercepted first while learning to ignore rockets with trajectories directed towards the sea or uninhabited regions. The IDF assessed that there

were 13,000 to 14,000 rockets in Gaza before this escalation began – intercepting every rocket is simply unsustainable. Each missile costs about \$40,000, so intercepting 1,200 incoming rockets is a very expensive proposition.

Secondly, and more alarmingly for Israel, it is because the Palestinian resistance now know that the intensity of the barrages — and the multiple directions from which they launch — have exposed vulnerabilities in the Israeli defence and can overwhelm the system. Militant fire was responsible for at least 12 deaths inside Israel.

While the impact of these rockets are not significant, relative to the damage incurred by Palestinians, they are nevertheless a weapon of mass disruption. Having rockets rain down from the skies can elicit a feeling of being besieged due to Israel's small geography which, considering Tel Aviv hopes for business as usual for Israelis even when it ramps up her operations against Palestinians, is a major victory for Palestinian resistance. Israel has spent decades carefully crafting a mythical image of invincibility with her state-of-the-art defence system coupled with propaganda efforts; penetrating the system with crude rockets is a damning blow for this image, regardless of the subsequent damage.

A Chink in the Armour

Israeli military analysts still regard the system as a great success in protecting civilians, but they see the Iron Dome as just one component of a broader military strategy. *"The IDF does not believe in the possibility of achieving victory in a war, campaign or a limited conflict through the defense,"* wrote IDF Dado Center researchers in 2015. *"A victory always entails an offensive."*⁴⁵

While rocket attacks may now make Israel rethink her current attacks as the Palestinian resistance continues to improve their ability to disrupt Israeli life, it is not enough to resolve their underlying grievances of occupation, ethnic cleansing and colonisation. Rather, the resistance efforts with its basic means have exposed a chink in the armour; Israel's enemies outside of the occupied territories and state actors will have taken notice.



The struggle over the Holy Land has become the most intractable political conflict in the world and despite decades of calling for a two-state solution, this remains as elusive as ever.

A ceasefire was agreed between Israel and Hamas in April 2021 that ended the violent escalation in the on-going crisis in Palestine. The US and a number of regional nations called for the ceasefire to be expanded into a more permanent settlement. The two-state solution has for decades been the strategy to integrate the Zionists that arrived as settler colonialists in the early 20th century with the indigenous people but it has been elusive for decades. The struggle over the Holy Land has become the most intractable political conflict in the world but for reasons such as foreign interference, rather than just the two parties to the conflict. As a result, it is foreign powers that will most likely determine the future of what happens in Palestine.

At the turn of the 20th century the British Empire was carving up the Middle East. Whilst it was at war with Germany in WW1, British officials ensured her empire from the Caribbean to Singapore remained intact. It did this by reaching out to tribal leaders in the Arab world and promising them territory for collaborating with them against the Ottomans who had sided with Germany. Influential Jews concluded they needed their own homeland due to the severe discrimination they were experiencing under the Europeans. After being turned down by the Ottoman Caliph Sultan Abdul Hamid II for territory in Palestine the Zionist leaders turned to both the British

Empire and the emerging USA. In 1917 they received a positive response from the British Foreign Secretary in the Balfour Declaration where he declared the British government viewed the establishment of a home for the Jews positively in Palestine.

Vassal Nations

Britain and France saw the establishment of new nations in the Middle East and rewarded those who collaborated with them against the Ottomans by making them rulers. They saw the establishment of such small kingdoms as a way to maintain control over the region and saw the Zionist demand as something they could use for their own colonial aims. Britain created Iraq, Transjordan and Saudi Arabia, and rewarded the Saud family and the sons of Sharif Hussain with new nations. Sharif Hussain's sons, Abdullah and Faisal were given Transjordan and Iraq as rewards for their father's rebellion against the Ottomans. Both were from Hijazi tribes and thus foreigners in the new Iraq and Transjordan. This was a common strategy used by Britain and the French did the same in Syria by placing the minority Alawites in power over a country that was overwhelmingly Sunni.

The British Empire kept historic Palestine for itself under the guise of the mandates from the League of Nations. Britain's strategy was to introduce European Jews to the region, but it was unsure if this would be accepted by the majority Muslims in the region. This was why it did this under the guise of the League of Nations. The British Empire revived the crusader

strategy of establishing a forward base in the region and protecting and maintaining it in the region, similar to what the Catholic Church attempted in the 12th century. It was from 1922 –1948 that Britain facilitated Jewish migration to Palestine. According to British census data of 1922, there were 83,790 Jews in Palestine. By 1931, it was 175,138. And by 1945, the number had jumped to 553,600 people. In 25 years, Zionists had gone from 11% of the total population to 31%.⁴⁶ Britain ended her mandate on 13 May 1948, and the day after the Zionists declared the establishment of Israel.

Forward Base

After World War Two things had changed for the British Empire. The US and the Soviet Union were the new global powers and as the 1950's progressed US foreign policy was focussed on the Cold War and the US promised support for any nation that was threatened by communism. The newly emergent Zionist entity was surrounded by huge nations with large populations that would overwhelm it in any wars. Israel needed to rapidly develop her military to stand against the Arab nations. It was here that the close relationship between the US and Israel first began. Israel needed a foreign patron for her own survival, which Britain could no longer provide and for the US, Israel came to be seen as an important "forward base" from which the American military and intelligence services could work against communism in the Middle East. America promised Israel that she would help her develop her military capabilities so she could defend herself against any enemy in the region, by working with it.

In the Six Day War in 1967 where Israel launched a pre-emptive strike against Egypt, Syria and Jordan, the US armed and provided extensive support to Israel. The war came to be seen as a war between a US armed military and the Arab nations that were armed by the Soviet Union. Egypt and Syria received significant military support from the Soviet Union and structured their armies on Soviet doctrine. The loss of the Arab armies to superior US weapons in the hands of the Zionists undermined the Soviet Union in the Middle East as Israel, who used Western weapons, was able to defeat three Arab armies who were using inferior Soviet weapons. The Zionists of Israel were able to occupy the Golan heights, it seized the West Bank from Jordan and took over the Sinai Peninsula. Israel had significantly expanded, and her arrogance reached the point of accusing the Arabs of

having a cultural problem with modern warfare.

The US never wanted to share the region with Israel. It was looking to shape the Middle East region after WW2 and saw Israel as a tool to achieve this, though not as an equal partner in the region. The Zionist entity's expansion during the Six Days War was against the US vision for the Middle East who envisaged two entities with defined borders, a Zionist state alongside a Palestinian state. After the Six Days War the US plan became "Land for Peace," under which Israel had to return the Sinai, Golan Heights and the West Bank to the Arabs, who in return would sign formal peace treaties with her and thereby acknowledge and accept her existence. The problem the US faced was the Zionist regime in Israel did not want to return anything. This was why the US stood by in the 1973 Yom Kippur war and Israel believed her worst nightmare was coming true, that she was on the verge of annihilation. When the US did begin supplying weapons the Zionists of Israel realised they were now dependent upon the US for military and economic protection.

"The 1973 war also completely devastated the idea that Israel could not be militarily defeated. The US used this to impose her land for a peace plan upon Israel. Throughout the 1970s US officials held meetings with Israeli and Arab rulers to bring to fruition her plan for the Middle East."

The 1973 war also completely devastated the idea that Israel could not be militarily defeated. The US used this to impose her land for a peace plan upon Israel. Throughout the 1970s US officials held meetings with Israeli and Arab rulers to bring to fruition her plan for the Middle East. President Ford of the US held a series of meetings with Anwar Sadat of Egypt, King Hussein of Jordan, Prime Minister Khrushchev of Syria (the first assistant of Hafez al-Assad) and Yitzak Rabin of Israel to finalise a regional framework, these were all formalised at Camp David in 1978. Israel promised to hand back control of the lands she had taken during the 1967 and 1973 wars and to allow the establishment of a Palestinian state, in return for formal recognition and acceptance of her existence.

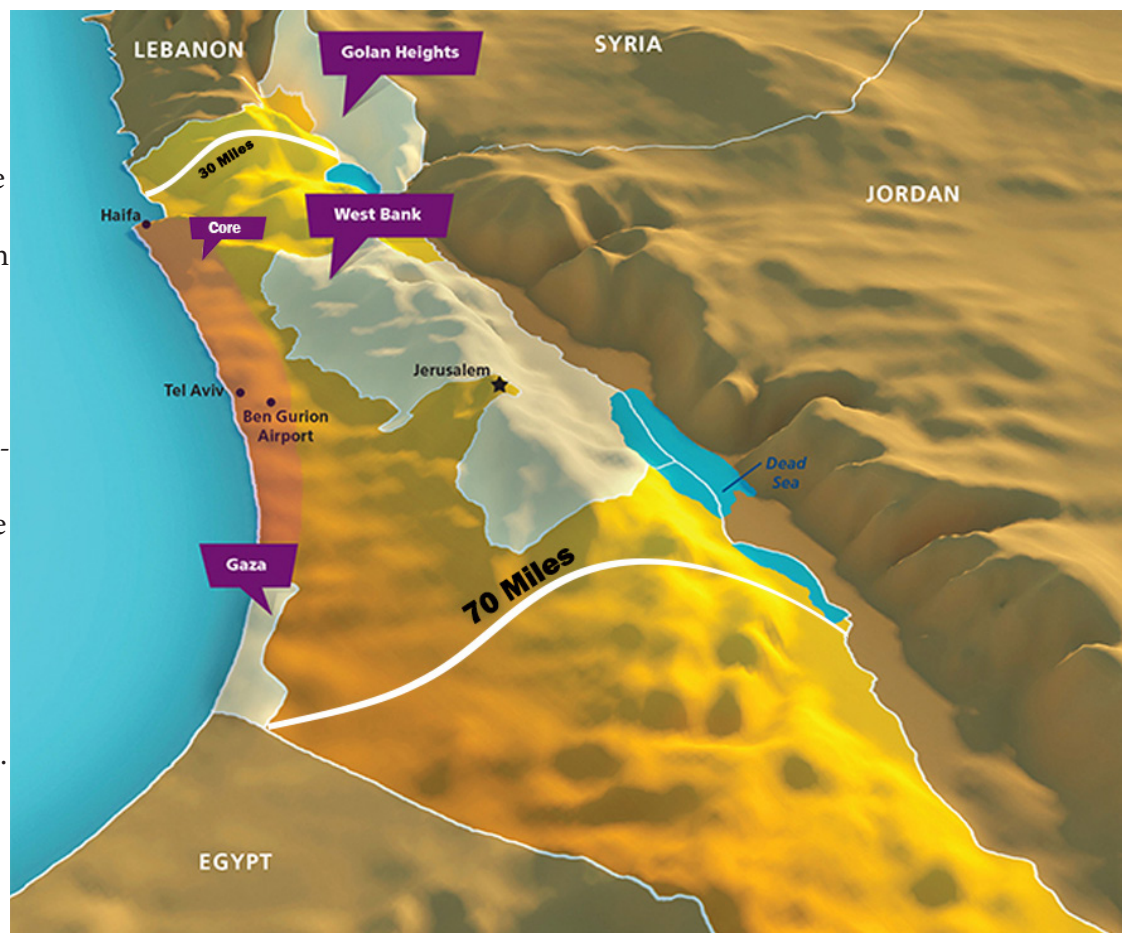
Strategic Depth

The establishment of a Palestinian state in the West Bank, for the US is an instrument of containment over Israel. With some Zionists having ambitions of Israel being the regional power and expanding her borders well into the region the US has always looked upon a Palestinian state as a way to contain the ambitions of these Zionists. Israel lacks strategic depth and her core runs from Haifa, through Tel-Aviv to the Gaza Strip and is overwhelmed by the West Bank, the highland that dominates the width of historic Palestine. For Israel, a foreign state with the advantage of highland over her core, this would pose a major national security threat for it, for which it lacks the resources, manpower and finance to defend against. This is why successive Israeli leaders have tried to stand against a Palestinian state, but were forced to agree to a Palestinian state by the US. Despite her dependency on the US, Israel from her inception attempted to assert itself and oppose US regional policy in the pursuit of her own interests. Yitzhak Shamir alluded to this point when he said: *"Much as we want to coordinate our activities with the United States, the interests (of the United States and Israel) are not identical. We have to, from time to time, worry about our own interests."*⁷ Israel's main strategy of opposing the US is via settlement expansion in the West Bank, by establishing settler communities in the West Bank the Zionists in Israel are attempting to influence where the final borders will be.

As the US is the global superpower it has global interests, and the Middle East is one region amongst many the US has interests in. In the Middle East the US also has nations other than Israel it works with and it has interests beyond Palestine within the Middle East. In the 21st century the US got bogged down with two wars and as a result Palestine was not a priority and Israel even came to play a role in America's invasion of Iraq. Despite criticism from Israel against America's nuclear deal in 2015 with Iran the US prioritised this over her relations with Israel in the region. This has all allowed Israel to increase settlement construction and swallow even more

territory as the US has been busy with other priorities.

When Donald Trump became president of the US his priority remained his approval ratings and maintaining a strong and popular image in the global media. Trump was not necessarily pro-Israel, he was pro-Trump. Through his son-in-law Jared Kushner, who is an avid Zionist who has invested in settlements in the West Bank, Trump saw he could shore up Zionist support for his presidency. Trump showed no interest in challenging Israel on settlements or her oppression of the Palestinians. He embraced Benjamin Netanyahu, as one of his favourite foreign leaders and rubber-stamped Zionist expansion into Palestinian-held territory. Trump officially recognised Jerusalem as the capital of Israel and moved the US embassy there despite successive administrations not doing so. The normalisation agreements between multiple Arab nations that Trump concluded was to shore up his own position, but it did not go against US foreign policy interests. In Trump's case he used these political issues for his own personal political benefit. All this open Zionist support saw Trump go up against the US establishment. When President Trump said he would support a one state solution in February 2017 Nicky Healy, who at the time was the US ambassador to the UN confirmed: *"First and foremost, the two-state solution is what we support. Anyone who says that the United States does not support a two-state solution would be mistaken ... Certainly we support the two-state solution, but we also think outside the*



*box ... which is needed to attract the two sides to the table, which is what we need in order to make them agree.*²⁴⁸

The Arab rulers in the Middle East, the PLO and Hamas long accepted the two-state solution. It is only Israel that does not support it as it wants to swallow up all of historic Palestine. A Palestinian state in the West Bank is something that would pose a major national security problem for Israel for which it lacks the resources to deal with. It is by design that the US wants a Palestinian state as it would constrain any Israeli regional ambitions. It will keep Israel dependent upon US support and will allow the US to use

Israel to achieve her own regional interests. Whilst Israel undertakes extensive lobbying in the US and even funds many senators, Israel and US interests are not the same, despite them often converging. The US will need to impose the two state solution upon Israel, much like it did the peace plan in the 1970's and 1980's, but like any global power it has global interests and these interests are all impacted by the priorities of any given time and Palestine is also shaped by this. Unless another power is able to challenge this strategy Israel will continue to be a forward base for the West.





Iran's New President Faces Major Challenges

The electoral victory of Ebrahim Raisi in June 2021, the ultra-conservative head of Iran's judiciary, was always a foregone conclusion. But despite being a regime insider, the clerical regime faces its biggest test since taking power over four decades ago.

The electoral victory of Ebrahim Raisi, was such a foregone conclusion, there was nothing left for his rivals to do but congratulate him on his victory. With the reformist bloc hobbled at the first hurdle, it was not surprising that Raisi garnered 17.8 million votes, a colossal 14.5 million more than his nearest rival, effectively making him the only viable candidate. But whether the president is a reformist or conservative, the clerical regime faces its biggest test since seizing power over four decades ago.

Ebrahim Raisi's victory secured for the conservative establishment, both elected and unelected nodes of power, and for the first time since 2007 a conservative consensus which exists unopposed in government. Although Ebrahim Raisi may now command almost unilateral power, precluding a dramatic fall from grace, he will likely secure the position of supreme leader. However, the challenges that face both the clerical regime specifically and Iran in general are both deep and intractable.

It is only with a healthy dose of scepticism that a conservative victory in an election which saw the majority of reformist candidates including former parliamentary speaker Ali Larijani and Vice President Eshaq Jahangiri disqualified by the Guardian Council be taken as an endorsement of the clerical establishment which has ruled Iran since the revolution of 1979. Rather, disenchantment with the regime in particular and clerics in general has become a defin-

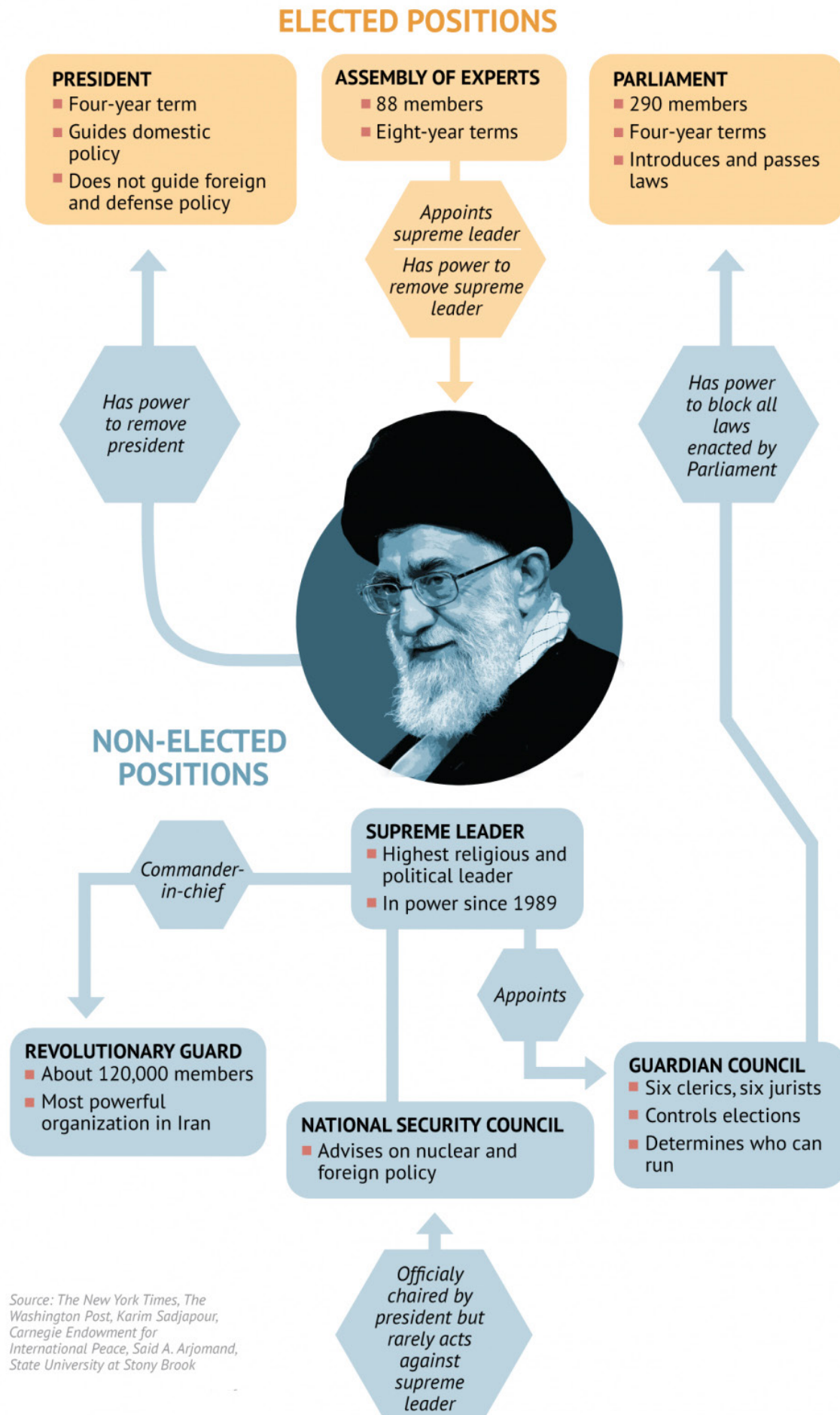
ing feature of the Iranian political landscape.

It is only the phalanx of the guardian council, the political, economic and military weight of the IRGC that keeps the reformist at bay. Far from the ideals of the so-called Islamic revolution, the clerical regime has become a coterie of vested interests, with patron clerics vying for state largesse which is then apportioned to their various clients and followers. The transformation of the clerical regime into a vast and distributed client patron network, dissolves any vestiges of meritocratic appointment and rational allocation of state revenue. The façade of a rigged election only papers over the cracks of a clerical establishment that enjoys diminishing legitimacy at best and derision from those that fail to benefit from their ill-gotten gains. Reigning in the clerics and divesting the various Bunyods (Cleric run foundations) of their ill-gotten gains is a task that the new president will have to complete to restore even a fraction of the legitimacy formerly enjoyed by the clerics.

Although the economy of Iran is more diverse than most of her Arab neighbours, it is still reliant on oil for the majority of her export earnings and state revenue. The fall in oil prices significantly affected government revenue, and it was only the timely intervention of US president Barack Obama and the JCPOA nuclear agreement in 2015 that partially mitigated the nearly 50% fall in oil revenues. Iran's dependence on oil and gas exports as the primary source of state revenue, leave the state and population open to the vagaries of the international oil and gas markets. Weaning the Iranian economy away from her dependence on oil, to a more mixed economy similar to her erstwhile neighbour Turkey, is a priority for the new president, especially when one considers the global shift away from fossil fuels.

Iran's Political Structure

Iran is ruled from the top by the supreme leader, Ali Khamenei. Khamenei's power extends in all directions.



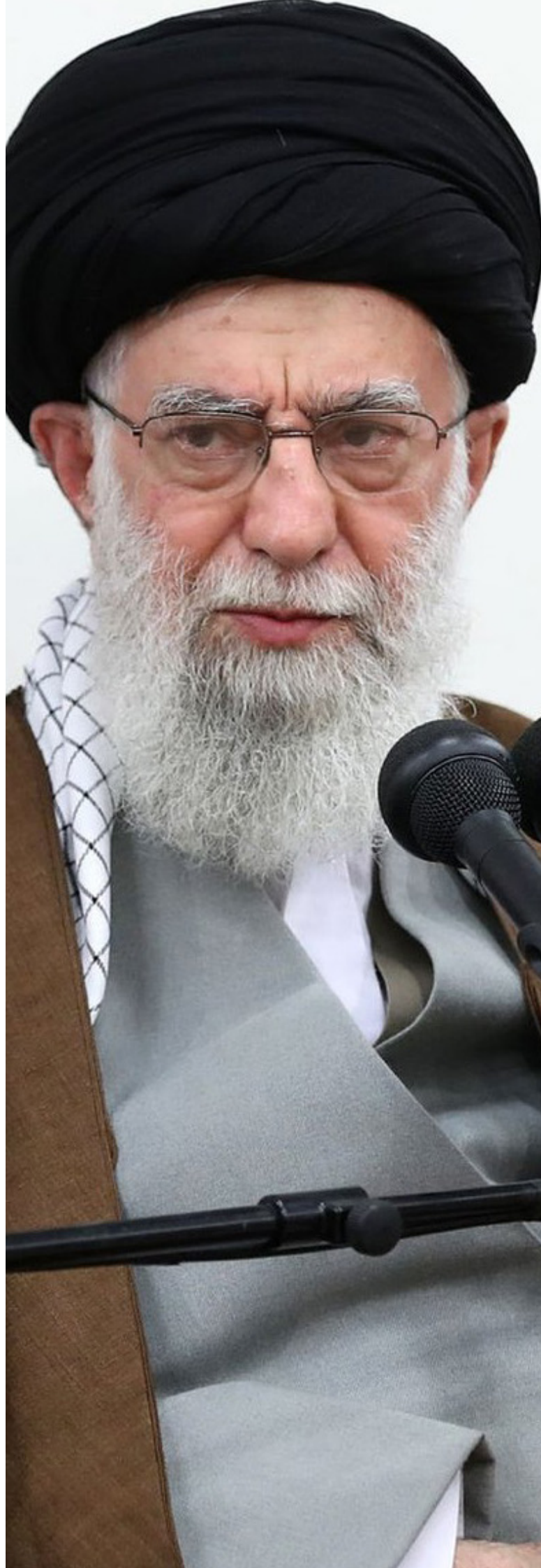
Even without the collapse of oil revenues, the Iranian economy has failed to keep up with her rapid population growth. Iran's population has grown from 16.4 million in 1950 to 39.7 million at the time of the Shah's fall in 1979. Today Iran's population is 82 million. With over 850,000 young Iranians entering the job market every year and youth unemployment optimistically declared as 27%, but more likely double than this, Iran's economy has failed to generate adequate employment for her aspiring youth.

Unlike many of her Middle Eastern neighbours' Iran does in fact possess a technically proficient and industrious work force, but ossified decision making, nepotism and suffocating state-controlled enterprises have divested Iran's economy of much of the vitality and dynamism that is required to foster adequate growth. Rolling back state control and opening the economy for private enterprise and entrepreneurs will in the long term diversify and grow the economy, despite short term economic pain.

Economic mismanagement and the effect of US and EU sanctions has resulted in Iran being in the unenviable position of possessing an inflation rate double that of her GDP growth, in effect impoverishing her population. Household income has witnessed a sharp decline in real terms, making tackling inflation the primary objective of the new president.

Internationally Iran has expended huge resources with very little gain. The recruitment and equipping of tens of thousands of Shi'ah militia in Syria and Iraq paradoxically has not provided the clerical regime with the regional power status she covets.

The future of Syria and Iraq continues to be decided in Washington, Moscow and Brussels rather than Tehran. The existence of the militias, apart from sowing the seeds of mistrust across the Sunni world, are an expense that the regime can ill afford. Declining living standards of the common man prompt them to call into question the regime's preoccupation with foreign misadventures rather than domestic economic reform. If Iran is to reintegrate into the Middle East the demobilization and reintegration of these militia without the inevitable slide into criminality and organized crime will be a key challenge. Despite the bellicosity, the impotence of the Iranian clerical regime is brought into sharp focus by its inability to respond to the assassination of Qasim Solomani by the US and the killing of key personnel involved in her nuclear programme by Israeli operatives who shockingly operating inside Iran, and with the de facto return of the Taliban to governance in Afghanistan another front opens up on an already stretched regime.





Britain's Energy Crisis

The country that powered the industrial revolution with her immense coal resources is today more reliant on foreign energy imports and the fragmented energy industry has hindered rather than improved the energy situation in the UK

19 energy firms with millions of customers collapsed in the UK in 2021 as they struggled to operate due to soaring gas prices. The UK's largest energy suppliers asked the UK government for a multibillion-pound emergency bailout package to help them survive as wholesale gas prices continue to soar throughout 2021. But ministers have stressed they were keen not to reward failure. *"There's absolutely no question of the lights going out,"* the business secretary, Kwasi Kwarteng, told the House of Commons. *"There'll be no three-day working weeks or a throwback to the 1970s."*³ Queues formed at UK petrol stations in September 2021 as many were panic buying with the prospect of the UK running out of fuel. The country that powered the industrial revolution with her immense coal resources is today more reliant on foreign energy imports and the fragmented energy industry has hindered rather than improved the energy situation in the UK.

Today the UK is reliant upon natural gas to power the nation. 37% of electricity comes from gas fired plants and 86% of British homes use gas for heating. It was under the Margaret Thatcher government that the energy sector was privatised in the 1980s. The new market searching for profits made a 'dash for gas' due to the discovery of abundant and cheap natural gas in the North Sea. This transitioned Britain's electricity production away from coal towards gas fired plants. By the turn of the 21st century domestic North Sea gas was exhausted, but demand continued

to rise, and Britain became increasingly dependent on importing natural gas. Today, Britain imports just under 50% of her natural gas, mostly via pipelines from Norway, the Netherlands and Belgium. The rest is all imported by ship in the form of liquefied natural gas (LNG) from Qatar, the US and Russia.

Despite the reliance on natural gas, storage capacity is extremely small in the UK. Less than 1% of Europe's stored natural gas is held in the UK. This is due to the Rough facility off the Yorkshire coast, which previously accounted for 75% of the entire nation's gas storage, being closed in 2017 by its owner Centrica. This lack of storage makes British energy hostage to gas prices and with gas prices skyrocketing Britain has been the hardest hit relative to Europe due to her reliance on natural gas to generate electricity.

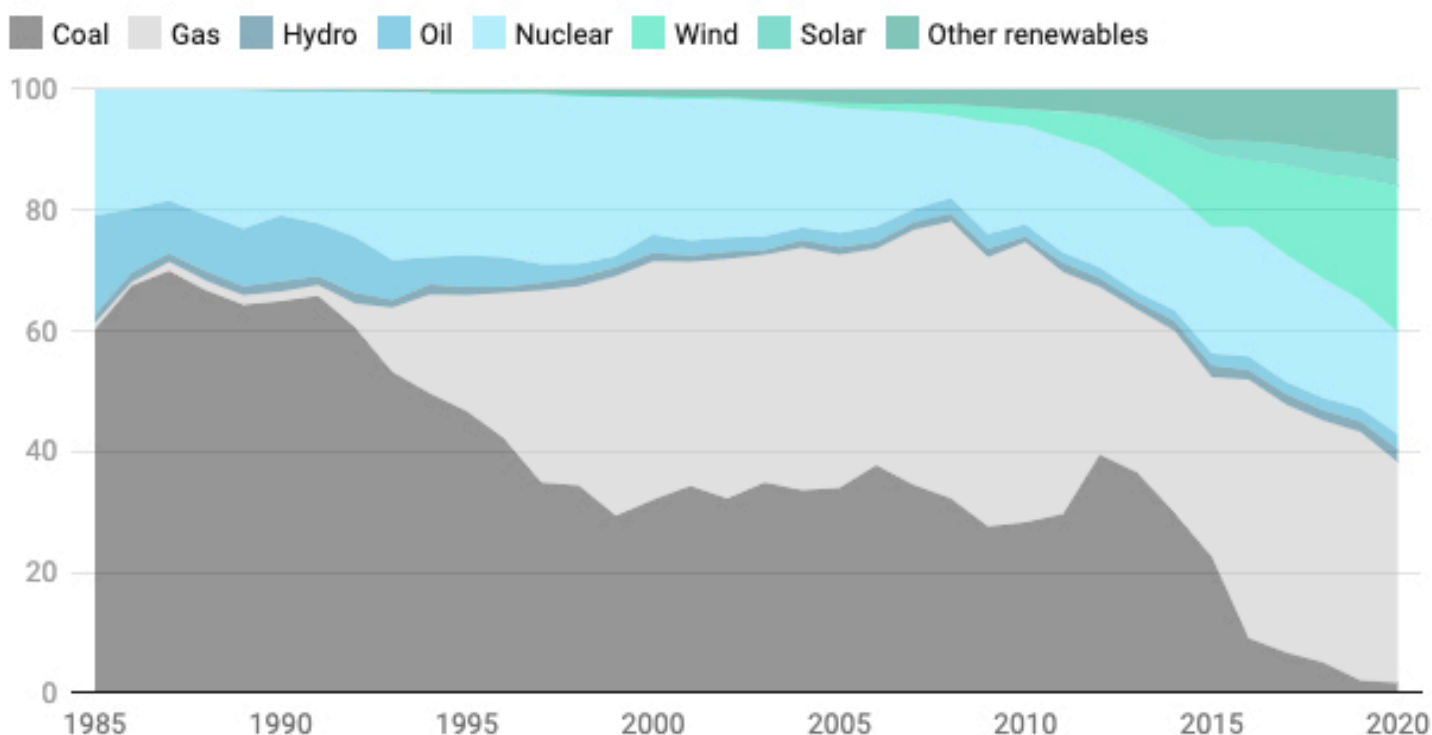
To deal with the shortfall, the UK fired up her coal fired power stations. But coal capacity is now a fraction of what it once was, it can supply only around 2% of Britain's energy needs today. The last deep coal mines in the UK closed in 2015, and imports now account for most of the UK's remaining coal consumption. On the 30th April 2016, for the first time since the Industrial revolution, the UK used no coal at all in electricity production. The UK has been phasing out coal as a source for electricity generation.

Shrinking Nuclear option

Nuclear energy has long been touted as a solution to the UK's energy problems but going forward Nuclear energy will play a shrinking role in the UK's energy mix. The UK currently has 13 operational nuclear reactors, but two of these are closing in 2022 and a further 4 are scheduled to retire by the end of 2024. Of the remaining 7 only the Pressurised Water Reactor

Britain has become increasingly reliant on gas for electricity

Britain's electricity generation mix, % share of total (TWh)



tor at Sizewell B, with 1.2 GW of capacity, is scheduled to be operational after 2030. Despite the British government considering new nuclear power plants, the Scottish Government with the backing of the Scottish Parliament has stated that no new nuclear power stations will be constructed in Scotland. The major challenge the UK faces with nuclear energy is what has transpired with Hinkley Point C in Somerset, which is the first nuclear plant built in the UK for 20 years. At a cost of £24 billion very few private companies are prepared to make the huge upfront infrastructure cost.

Renewables Not a Silver Bullet

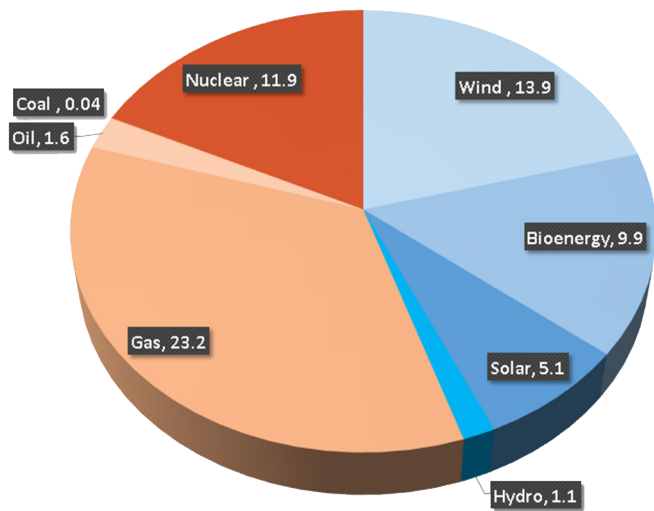
In 2020 electricity generation from renewables for the first-time outstripped fossil fuels. 43% of electricity generation from renewables outstripped electricity from fossils at 37%. The UK has been promoting her adoption of renewable energy and has even touted this as a solution to reducing her carbon footprint. But on 3rd November 2020 the National Grid, which operates the electrical system in the UK issued an “electricity margin notice,” which meant the electricity operator was concerned about the supply of electricity at peak hours due to an over-reliance on unreliable energy sources. The reason for this warning was the cold air that was moving over the UK that prompted electricity use while the lack of wind cut the available power generation from onshore and offshore wind farms. The biggest problem with mainstream renewable energy is intermittency. Wind

power is only generated when it's windy, solar power is only generated when it's sunny. The cost of renewables is also exorbitantly expensive as huge solar farms and hundreds of wind turbines are needed to generate electricity. Despite government subsidies renewable energy will supplement rather than replace fossil energy in the UK.

A Fragmented Industry

Britain's energy sector consists of energy generation and a transmission and distribution network to both residential and commercial properties. After energy leaves the distribution networks, it is sold to households and businesses by energy retailers. Until the 1980's all of this was owned and managed by public sector enterprises. During Thatcher's deregulation and privatisation drive, public sector enterprises such as British Gas, Powergen and National Power were all privatised to create a competitive domestic energy market that would consist of many suppliers and offer choice to the public. The government and regulators that sprung up were looking to inject competition and market incentives into the sector.

After four decades of privatisation much of the energy sector's infrastructure is owned and run by companies that are in effect monopolies. Six suppliers — British Gas, edf, E.ON, RWE, Npower, Scottish Power and SSE/OVO energy control nearly 70% of the UK energy market. In 2014 they controlled 95% of the market! Whilst they made huge profits their



UK electricity generation TWh 2021

customers saw little reduction in their energy bills. Today 3.2 million households in the UK suffer from fuel poverty.⁴⁴

The reason why a few monopolies continue to dominate Britain's energy market is generating power is a very costly endeavour that requires large upfront infrastructure capital which most private companies would not risk undertaking. Whilst previously the UK had public sector enterprises, today these are really owned by private individuals. This has created significant barriers to entry and explains why new entrants have only entered retail energy.

Energy retailers purchase energy from the wholesale market and compete to sell to customers, offering different tariffs and payment options. Their business model relies on their ability to sell energy prices higher than the purchase price from wholesale markets. The big six who dominate the UK's energy

market purchase their customers' energy in advance in the futures market, locking in prices and hedging their exposure. The smaller suppliers are unable to do this due to large trading fees.

In 2019 the government introduced the energy price cap, which empowered Ofgem — the industry regulator to set a maximum price suppliers can charge customers on a standard tariff. The cap was meant to protect consumers from sudden price surges. But following the introduction of the cap, a number of new entrants exited the market, citing the cap's potential to squeeze profit margins.

The UK is facing a perfect storm of energy problems that have converged, but they have all been in the making for some time. The energy industry is fragmented and, in many ways, has made things worse rather than improve Britain's energy sector. The reliance on imported fossil fuels that is used primarily for heating homes and electricity generation exposes the UK to global market prices, but the dominant companies who generate power for the UK operate on a near monopolistic basis and are able to extract value for their shareholders. The much-heralded free market and 'competition' has only led to exploitative practices by a few large companies in the market. For the moment the answers to Britain's broken energy market are either the promotion of genuine competition by levelling the playing field between new entrants and large companies that dominate UK energy or the creation of a publicly owned energy retailer who serves the nation rather than private profit. Whichever path the UK takes, it can no longer put this off.





Turkey's Energy Challenges

Turkey's energy situation is reaching a critical juncture as her dependency on energy imports creates an increasing import bill. Despite the attention her foreign policy gets Turkey faces significant energy challenges at home.

The discovery of a large new natural gas deposit in the Black Sea in August 2020 was hailed as a major find by Turkish President Recep Tayyip Erdoğan. The find, which is the biggest in Turkey's history, comes as her dependency on energy imports creates a large import bill. But after decades of being described as an energy corridor, Turkey has not seen any dividends of being geographically placed in between energy producers and consumers. With domestic demand for energy only increasing and Turkey looking to play a leading role in the regions in close proximity to her, she faces significant energy challenges.

At the turn of the 21st century Turkey's population was 63 million. Today her population has grown to 85 million and by 2050 the population is predicted to be close to 100 million. Since the beginning of the century Turkey's energy consumption has doubled. Turkey consumed just under 150,000 ktoe of different sources of energy in 2019, but only 30% of this came from domestic production. This has created a huge dependency on imports of energy with the 2019 bill costing the Turkish exchequer \$41 billion!

Turkey's energy mix is dominated by fossil fuels.

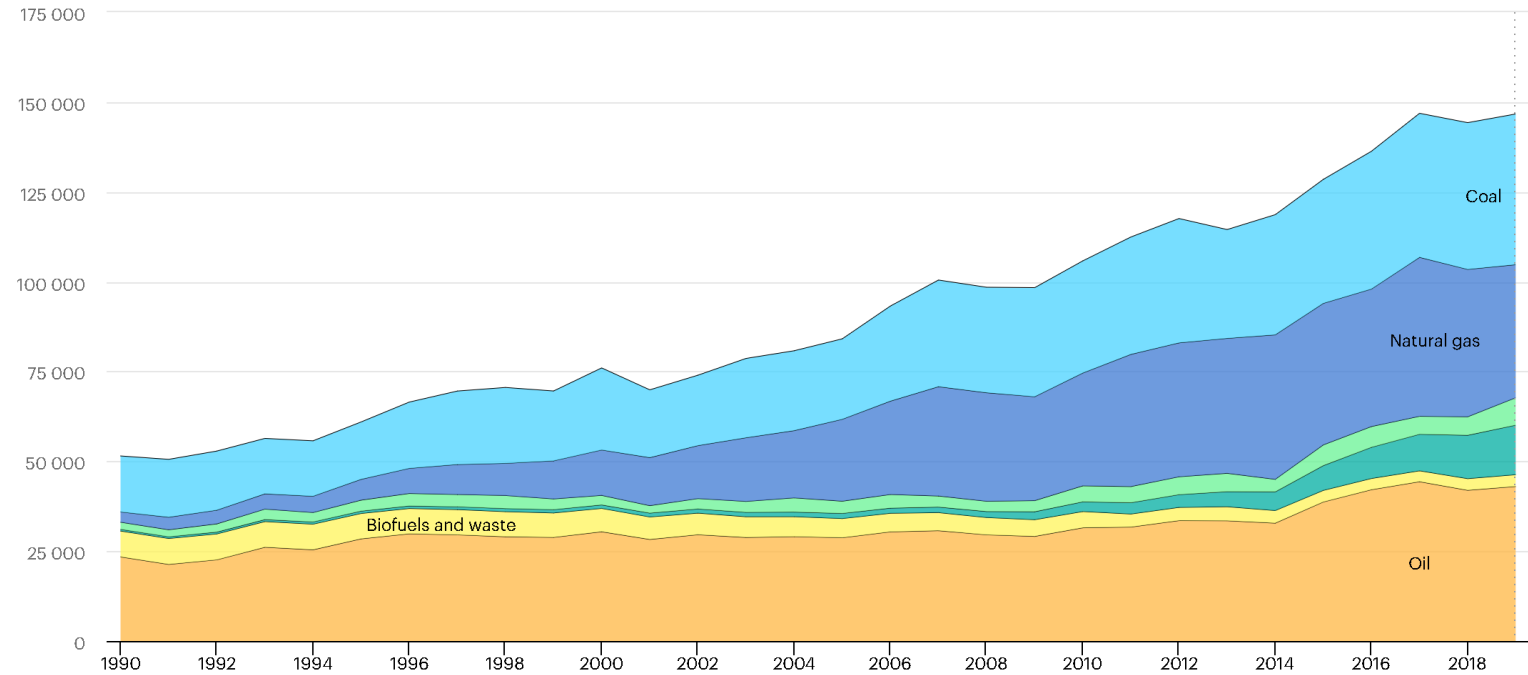
Coal has for long been a major part of Turkey's energy mix and it is the most abundant energy resource Turkey possesses. But her domestic production falls well short of consumption despite the fact that

Turkish companies have been trying to exploit her domestic sources of coal. Coal will remain a major energy source as it provides nearly 40% of the country's electricity. The lack of modern technology to exploit coal deposits and the lack of investment from both foreign domestic sources has seen Turkey now importing over half her coal from Colombia and Russia.

Oil and gas production has remained negligible in Turkey for years. This is what causes her large import bill, which is 20% of all Turkey's imports. Natural Gas imports are the biggest drain on Turkey's finances. Half of Turkey's power plants are powered by natural gas, and this amount will only grow as Turkey's population increases. Turkey imports 99% of her Natural gas and this is where relations with her historical foe Russia, comes into the picture. Russia has for long been Turkey's main supplier of natural gas, which is supplied directly through the Blue Stream Pipeline that runs below the Black Sea and has a capacity of 16 billion cubic meters annually. In the recent past Russia has provided up to 60% of Turkey's natural gas. Despite the political costs this creates for Turkey from an economic perspective, Russian gas supplies have always been more cost-effective as they travel across the Black Sea and therefore provide Turkey with the large volumes she needs. Russia and Iran, two historical enemies of Turkey, are her major gas suppliers creating a major dependency.

In 2020 Turkey succeeded in diversifying her gas supplies. Due to COVID-19, her national gas consumption dropped by 24% and as a result Turkey saw a major fall in pipeline gas imports and a huge increase in gas via liquefied natural gas (LNG) imports. Gas imports from Russia fell by 62% in 2020 and saw

Turkey's Energy Mix



Russia fall behind both Azerbaijan and Qatar as Turkey’s largest gas suppliers. The rise in LNG imports has balanced the need for piped gas which for long created a dependency on both Russia and Iran.

Oil is the fuel of choice for transport and here once again Turkey faces significant challenges. Turkey consumes nearly 1 million bpd of oil, local production is a mere 66,000 bpd which results in imports supplying most of the country’s oil needs. Turkey receives the black fuel through two pipelines, the Baku-Tbilisi-Ceyhan (BTC) pipeline from Azerbaijan and a pipeline from northern Iraq.

Despite Turkey’s involvement in so many regional and global issues she is facing a significant number of issues at home and at the top of the list is energy, where she has major dependency on imports. The growing demand in gas consumption is fast approaching the nation’s annual capacity limits of the pipeline and LNG infrastructure. The talk for years of Turkey becoming an energy corridor or transit hub has not materialised and has remained just talk. The situation the Turkish government needs to be focusing on is keeping the nation’s lights on rather than regular rhetoric about Turkey’s independent foreign policy.

Diversification

The only remnants of strategy that can be discerned from the Turkish government is diversification. With the lack of domestic energy sources Turkey has focused on diversifying her suppliers in the hope she doesn’t become dependent upon any single energy

supplier. This strategy has seen some success, but the Turkish government would agree it is nowhere close to where the country needs to be.

Stalled Nuclear Plans

The most ambitious strategy would be to pursue nuclear energy, which would give Turkey the much-needed diversification and independence she seeks. Turkey has for long had many grandiose plans to develop civilian nuclear energy, but none have materialised due to technical and financial delays. Today Turkey has no nuclear power plants, but this may be ending soon. The Akkuyu Nuclear Power Plant in the Mersin Province is expected to be completed by 2023 which is an agreement between Russia and Turkey to build, own and operate the power plant. Turkey and Japan signed a \$22 billion nuclear deal in 2013, but in 2018 the project was abandoned due to construction costs having almost doubled. In 2018 the Minister of Energy and Natural Resources, Taner Yildiz announced that the government is working on the plans of the third nuclear plant, which is projected to be built after 2023 under the management of Turkish engineers.

The Mirage in the Black Sea

The discovery of a 320 bcm natural gas reserve under the Black Sea in 2020 was the largest discovery of energy for Turkey and her expected production will begin by 2023. The deposits will likely increase as they are part of more abundant natural gas reserves in the Black Sea that are still being drilled for. With Turkey’s current natural gas consumption of 27 bcm,

which will likely rise due to her increasing population, it will last the best part of a decade. This could be increased if Turkey did not replace all imports with the new domestic resource, but unless further deposits are discovered this Black Sea discovery is not exactly the windfall it is being made out to be.

Turkey has attempted to explore her shale gas potential in the Anatolian basin in the southeast and the Thrace basin in the north-west of the country. It is currently too early to judge the future prospects of Turkish shale, but deep water exploration in the Black Sea with some of the largest energy companies in the world has for the moment not lived up to expectations.

The Battle for the Mediterranean

To the south of Turkey there has been a lot of activity for Mediterranean energy. With the discovery of energy in the Mediterranean, naturally Turkey has taken a keen interest in exploiting them. In 2009 the Tamar field, which is 80 km west of Haifa, was discovered with 9 trillion cubic feet (tcf) of extractable gas. A few months later, the Dalit field was discovered in the west of central occupied Palestine with around 500 billion cubic feet (bcf) of gas. Then in 2010 a further 16 tcf of gas was discovered. This was the largest natural gas discovery in the world in a decade. Turkey began the exploration in earnest, and this led to a series of crises with Cyprus and Greece. Both nations claimed Turkey was drilling in their exclusive maritime areas: Turkey and Greece's maritime borders. Turkey responded by announcing she had expanded her exclusive economic zone (EEZ) in the Eastern Mediterranean in collaboration with Libya's Government of National Accord. Turkey also announced she was building six new submarines to enforce her claims. The Mediterranean potentially provides Turkey with new energy sources, but with conflicting claims it remains to be seen if Mediterranean energy can help Turkey's energy diversification strategy.

LNG Potential

Turkey could increase her LNG imports; this would give her a more diversified pool of suppliers. Turkey currently has two LNG terminals and two Floating Storage Regasification Units (FSRU) facilities. Building LNG facilities are capital intensive as they require import terminals and regasification facilities and usually require extensive upgrades of distribu-

tion networks. Currently Turkey's LNG facilities are around the Marmara core, further facilities in the Mediterranean coast would help her energy situation, especially with gas imports from North Africa. But to achieve this Turkey will need to significantly invest in her distribution network which is currently mostly around the Marmara area of the country.

Pipeline Stalemate

Turkey is surrounded by energy rich regions and nations. To her north is the Black Sea and Russia. To her east are the Caucasuses and the Caspian. To her south is both the Middle East and the Mediterranean. It's this geography that sees many speak about Turkey's potential as an energy hub in the region that bridges East and West. But it is Turkey's position in the middle of both regions that makes energy pipelines so political. The Nabucco pipeline that was meant to circumvent Russian energy and carry energy from the Caucasuses via Turkey to Europe was shelved in the end due to costs and politics. Turkmenistan's energy and even increasing the energy from Azerbaijan to Europe via Turkey are some of the most political projects as they circumvent Russia. With little energy of her own, being a transit for other countries' energy exports will not give Turkey the energy diversification or independence she seeks. Therefore even if there were no politics over such pipelines, constructing new pipelines from Asia to Europe would still not solve Turkey's energy dilemmas.

Turkey has a number of options in attempting to deal with her energy challenges. Her energy challenges are however reaching a critical threshold and can no longer be put off by talk of becoming an energy hub. Without any significant energy reserves of her own Turkey cannot become an energy transit or hub, and being the middleman between energy producers and consumers does not pay sufficient commission to even begin reducing her import bill. For the moment it seems Ankara has accepted that if she wants to keep the lights on across the country, Russian gas supplies through pipelines remain the most cost-effective and reliable option. From an energy perspective Turkey is well and truly punching above her weight.



Hypersonic Politics

Contrary to the opinion of the US intelligence community, Hypersonic weapon systems bring back equilibrium to an unstable world

In a case more akin to a Sherlock Holmes novel the case of the missing rocket launch was solved with a surprising conclusion. There was an announced launch on the 19th July 2021 of a Long March 2C rocket which constituted the 77th launch of this particular rocket. Subsequently on the 24th August 2021 there was an announced launch of another Long March 2C rocket which was officially stated as the 79th launch. This left many seasoned observers of the Chinese space programme wondering what happened to the 78th launch. Although the launch of a rocket is difficult to conceal, the oversight in numbering detracts from the major issue at play here.

Unlike Russia, their more bombastic strategic competitor, both China and the US are fairly coy about their development of Hypersonic weapons, with little information available in the public domain analysts and interested observers search for snippets in academic journals and launch logs.

Whether feigned or genuine, the US displayed a great deal of surprise and consternation at this launch and despite her own astronomical defence budget reiterated her opposition to Chinese militarism. The Chinese on the other hand initially denied any such launch had taken place but Zhao Lijian the foreign ministry spokesman, later stated that the launch was a routine test of a space vehicle to verify technology for reusable space vehicles.⁴⁵

Individuals familiar with the launch said that the test consisted of a combination of different systems working together to produce a system with the capability to evade US Missile defences. A conventional rocket placed what is known as a fractional orbital bombardment system into low earth orbit which orbited the earth twice before releasing a hypersonic glide vehicle which delivered its payload to a predesignated target.

Fractional Orbital Bombardment systems (FOBS) were initially developed by the Soviet Union and were designed to offer several advantages over early ICBMs. FOBS effectively offered unlimited range as the payload was placed in orbit rather than on a parabolic trajectory, it could evade US early warning systems which were mainly north facing and the launch vehicle and or site would not be connected to the missile by a parabolic trajectory making the deployment of countermeasures more difficult.

Although as a concept hypersonic glide vehicles are nothing new, the decades-old space shuttle in essence constitutes such a system. It's weaponisation, however is unique and signifies a paradigm shift in weapons developments. Ballistic missiles, although travelling much faster, have predictable trajectories from launch to impact making interception relatively easy. But hypersonic glide vehicles follow unpredictable flight paths making interception significantly harder.

Hypersonic flight poses immense challenges to airframes and engines especially leading edges and air frame skins which can reach temperatures far

beyond the endurance of current materials. When China announced in late 2019 that it had developed new materials for possible use in hypersonic vehicles, Western commentators assumed it was simply bravado and bluster. But contrary to expert opinion, China has indeed made noteworthy progress in deploying a working system.

The hypersonic glide vehicle purportedly missed its target by a few dozen miles, indicating that an inertial guidance system rather than GPS was used for course correction. This indicates that intractable guidance issues which hinder all competitor hypersonic programmes, have not been solved by China. Hence a working system is still some distance away.

Many independent experts, however, urge caution. The US military industrial complex with her proponents in politics and the media have been known to overstate the risk posed by Russian and now Chinese strategic weapons. Many of the advantages offered by hypersonic glide vehicles are tempered by their relatively slow speeds compared to ICBMs, and multiple

independent reentry vehicles with terminal manoeuvring capabilities offering most of the benefits that glide vehicles offer. The benefits of their development and deployment are hardly justified by the cost.

Risk assessments and cost benefit analysis aside, the world has indeed moved on. The US no longer enjoys a technological superiority over her foes, and the unilateral scrapping of the anti-ballistic missile treaty (ABM) will precipitate unintended consequences. The treaty ensured that in the event of an escalation to nuclear weapons by either the US or the USSR lacking anti-ballistic missile defences neither side would emerge unscathed.

But this particular cloud does have a silver lining: contrary to the opinion of the US intelligence community, these systems conversely bring back equilibrium to an unstable world. They maintain the deterrence that mutually assured destruction offers and focus minds on averting war rather than prosecuting it.

WHAT IS KNOWN ABOUT THE HYPERSONIC MISSILES OF THE US, RUSSIA AND CHINA?

AGM-183 ARRW



Top speed – Mach 20
15345.4mph

Range – 1,000 miles
Cruising altitude – unknown

Launch platform – B1-B bomber

3M22 Zircon



Top speed – Mach 9
9,800mph

Range – 621 miles
Cruising altitude – 91,863ft

Launch platform – Submarine or ship

DF-17



Top speed – Mach 5
3,806mph

Range – 1,600mph
Cruising altitude – 196,850ft

Launch platform – Ground vehicle

Long March



Top speed – 21,000mph

Range- Unlimited
Cruising altitude – low earth orbit

Launch platform – land based rocket



The Race to Mars

Three spacecraft from the US, China and the UAE all visited the red planet in the space of 10 days in February 2021. Not since the heyday of the space race has there been such an appetite for space missions. But the 21st century's space race is seeing the emergence of a number of middle tier nations

Mars is around 140 million miles away from Earth but in February 2021 spacecraft from the US, China and the UAE all visited the Red Planet.⁴⁶ The Martian planet is gaining considerable attention even though the planet is dead and has not had water, forests, plants and all the things necessary for life for over four billion years. An increasing number of space science missions aimed at improving basic understanding of planetary science have been launched in the 21st century and are now reaching fruition. Not since the heyday of the space race has there been such an appetite for space missions. Unlike the space race of the Cold War, the 21st century's space race is seeing the emergence of a number of middle tier nations who are launching missions to the moon, Mars, asteroids and other planetary bodies.

The UAE became only the fifth nation and the sole Muslim nation to successfully reach Mars on the 9th March 2021. One day later China's Tianwen-1 spacecraft successfully entered the Martian atmosphere and then a week later, America's Mars programme landed on the red planet. There have been 49 mis-

sions to Mars since the 1960s, with the early missions being flybys, with spacecraft taking photos as they sped past the red planet. Then probes pulled into orbit around Mars and now landers and rovers have touched down on the surface. The exploration of Mars has always been about learning how the planet went through a dramatic transformation from once being Earth-like to today where it's virtually a dead planet. Exploring Mars helps scientists learn about momentous shifts in climate that can alter planets, as well as answer how Mars became the dusty and dry planet it is today.

Space exploration in the 21st century is quite different to the space race during the Cold War. Both the Soviet Union and the US in the 1960s focused on exploring the moon and developing satellites which had a strategic goal back on earth. Whilst the Soviet Union has now disappeared, and Russia's defence industry is struggling to reach her previous global position, China's space programme has in some areas in space tech exceeded the US. Both nation's space programmes are currently heavily focused on the moon and in-situ resource utilisation (ISRU) – the practice of collecting, processing, storing and using materials found on other astronomical objects that replace materials that would otherwise be brought from Earth.⁴⁷ But both nations, however, have been commercialising their space programmes.

The end of the Cold War saw space programmes shift from being primarily military to include commercial



applications. Ukraine inherited the Soviet Union's space capabilities after 1991 and moved to attract commercial launch opportunities, which were previously off-limits. Similarly, the US deregulated her space launch industry, allowing for private companies to launch payloads into space. As space technologies matured, especially around probes, orbiters and rovers, the costs of space missions fell. Today a plethora of space launch providers, satellite manufacturers and spacecraft design and assembly companies exist. This has cut the costs of space missions to the point that a number of space missions are now undertaken by middle tier nations and has since seen the UAE join the fray. The space industry is now a competitive industry attracting both emerging and established technological and industrial powers. Whereas the Soviet, Chinese and US space programmes were built on large military expenditures, the new entrants into space have gained access relatively cheaply.

UAE's Great Space 'Hope'

The UAE announced in 2014 that it would send a mission to Mars by the country's 50th birthday in December 2021. At the time, the Gulf nation had no space agency and no planetary scientists and had only recently launched her first satellite. The Gulf nation assembled a team of engineers and were led by Sarah Al Amiri, originally a computer engineer. The programme was seen by the monarchy as a way to make her workforce more innovative and competitive by driving Emiratis to pursue careers in the hard sciences as the importance of oil and gas wanes.

The orbiter that entered Mars's atmosphere, known as Hope (or Amal in Arabic) and will produce the first global map of the Martian atmosphere. But the UAE faces numerous hurdles if it wants to mature into a space player. Only a handful of the Gulf kingdom's 100 higher-education institutions do research, and there are only a few hundred full-time academic researchers. But like when the UAE hired the South Korean firm Satrec Initiative to design and build her first satellite, on this occasion the UAE used multiple sources to get to Mars. The 'hope' mission to Mars used a Japanese rocket and the orbiter being used in the red planet's atmosphere was also assembled in the US, with significant support and design by American universities and companies. This sets the UAE mission well apart from true space powers like China and the US.

The UAE mission to Mars shows how far costs have

fallen and how this is allowing middle tier nations such as the UAE to enter the space market. This is what is triggering a middle power space race as a number of other countries such as South Korea, Iran and Turkey are all entering this space race and using their space programmes to focus on dual-use technologies that could support their broader defence industries. Many of these newcomers are concentrated in Asia, led by South Korea and Japan, two of the world's most technologically advanced nations. This gives them the means to develop the know-how needed to build space-based systems, leveraging expertise in areas such as shipbuilding to expand into the aerospace sector and compete with other commercial launch providers.

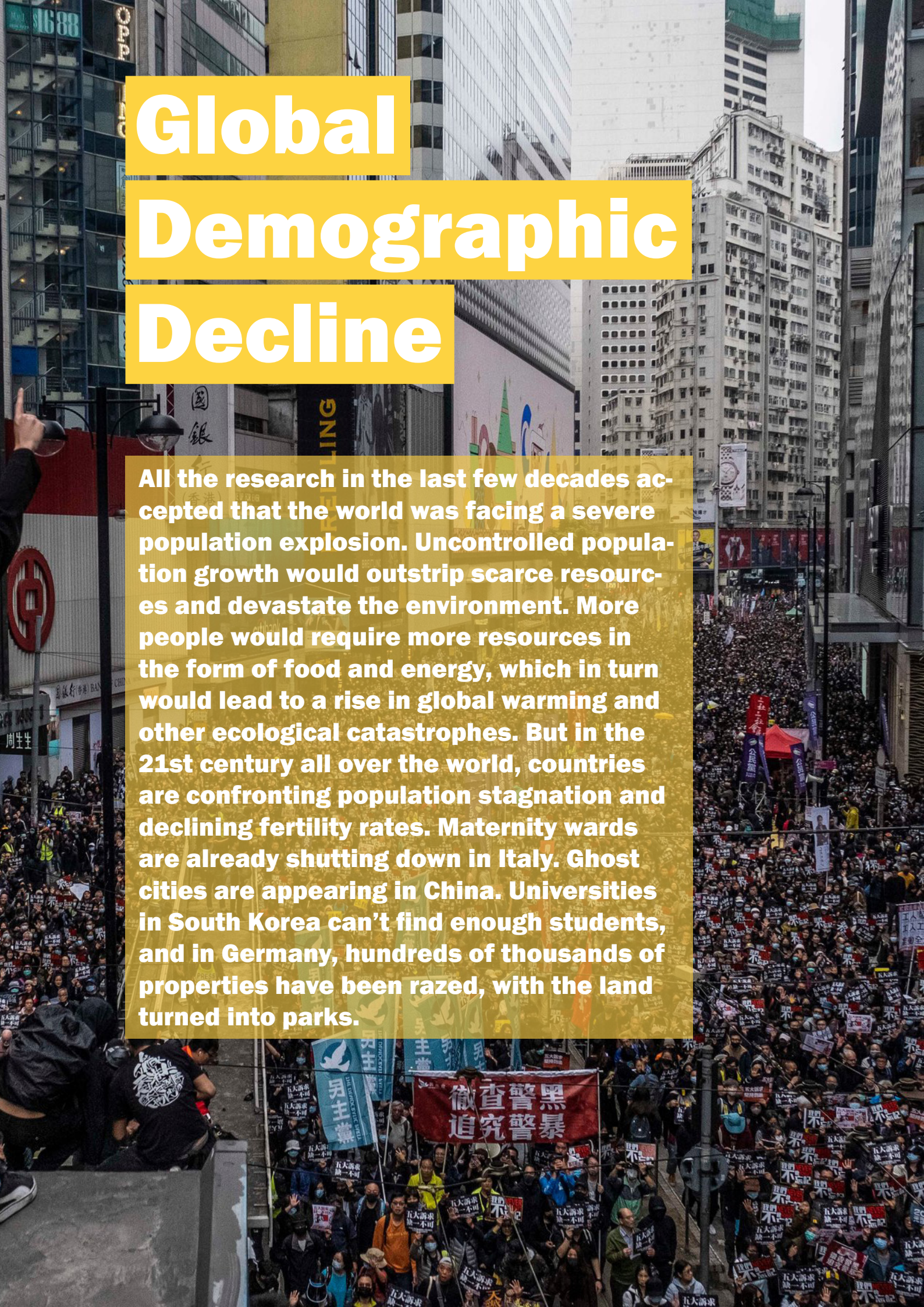
Beyond the Asia-Pacific region, India's long-standing space programme is currently launching missions into space, but these are limited in terms of cargo capacity. Both of India's missions to the moon and Mars carried small payloads. Focusing on missions closer to earth, India has the potential to become a low-cost launch provider.

The space programmes of North Korea and Iran are different from those from Asia. Their space programmes are meant to alleviate pressure from the West and from regional rivals. Iran needs to balance against Saudi Arabia, while North Korea must consider Japan and South Korea. North Korea's programme is the most advanced, serving primarily to support missile development in her quest to mount a credible nuclear weapons deterrent.

What we are now seeing is the early part of the new space race, but this time it will not be between two bipolar powers only, but amongst a host of middle tier nations on the one hand and with two powers – the US and China battling it out on emerging tech and more complex missions into space.

Global Demographic Decline

All the research in the last few decades accepted that the world was facing a severe population explosion. Uncontrolled population growth would outstrip scarce resources and devastate the environment. More people would require more resources in the form of food and energy, which in turn would lead to a rise in global warming and other ecological catastrophes. But in the 21st century all over the world, countries are confronting population stagnation and declining fertility rates. Maternity wards are already shutting down in Italy. Ghost cities are appearing in China. Universities in South Korea can't find enough students, and in Germany, hundreds of thousands of properties have been razed, with the land turned into parks.



The US and China published their census results in 2021, the data was collected during the pandemic throughout 2020. Both countries' results sent shockwaves across the world. Both nations will most likely determine the 21st century and they both showed the slowest rates of population growth in decades. The implications go beyond the US and China as they are not the only nations showing slowing rates of population growth, with some nations such as Russia, Japan and Germany already experiencing population decline.

Modern societies have long been structured around the notion that a surplus of young people will drive economies and help pay for the old. This was based upon the global population continuing to rise. It took the whole of recorded human history until 1804 to reach 1 billion people. The next billion was added in under 125 years. The next billion was added to the world's population in just three decades by 1960. In the next 40 years to the eve of the 21st century the global population doubled from 3 billion to 6 billion people. 71 million people were added annually between this period. Not only did the population of the world grow, but the growth rate accelerated exponentially. In just the next two years the global population is expected to reach 8 billion people. A lot of this population growth was driven by just 30% of the global population in places such as sub-Saharan Africa, Nigeria and South Asia. However In half of the world's population, the era of high fertility has already ended.

In the 21st century growth rates are not accelerating but falling. According to the UN, between 2000 and 2050 the population will continue to grow, but only by about 50%, halving the growth rate of the previous fifty years. In the second half of the century, growth rates are anything between 0-10%. The annual increase in world population is expected to be 57 million a year on average between 2000 and 2050. This is smaller than the 71 million people added annually between 1950 and 2000. At some point in the 21st century the colossal growth rates seen in the global population will cease to exist.

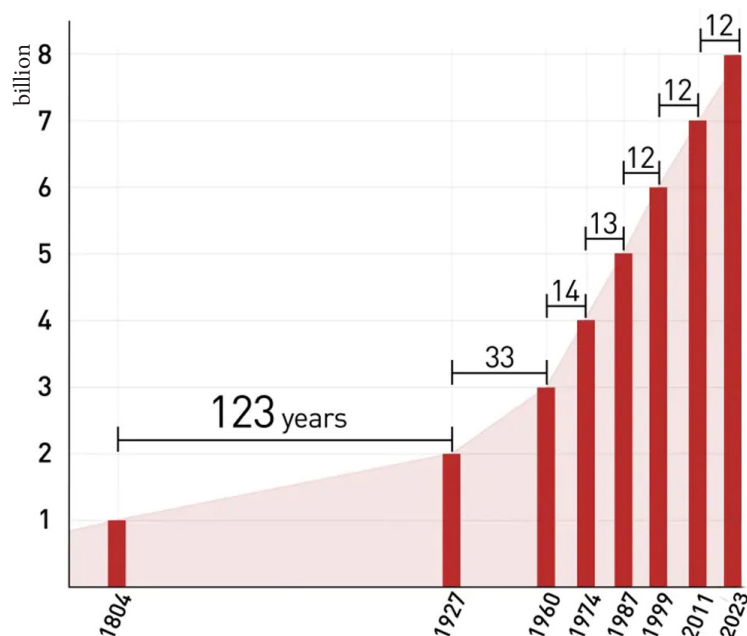
We already see change taking place in the developed nations. The declining birth rates have led to fewer younger workers to support the large increase in pensioners. Europe and Japan are experiencing this problem already. Many also assumed population growth might be slowing down in Europe, but the world's total population will continue to grow because of high birth rates in the third world. But birth rates are plunging everywhere. The first world nations are on the bitter edge of decline, but the rest of the world is following right behind them. And this demographic shift will help shape the remainder of the 21st century.

Some of the world's powers, like Germany and Russia, are going to lose large percentages of their population. Europe's population today is 742 million people. The UN forecasts that by 2050 it will drop to somewhere between 557 and 653 million. The lower number assumes that women will average 1.6 children each. The second number assumes 2.1 children. In Europe today, the fertility rate per woman is 1.4 children. Even in countries long associated with rapid growth, such as India and Mexico, birth rates are falling toward, or are already below, the replacement rate of 2.1 children per family.

South Korea's fertility rate dropped to a record low of 0.92 in 2019 — less than one child per woman, the lowest rate in the developed world. Every month for the past 59 months, the total number of babies born in the country has dropped to a record low.

That declining birth rate, coupled with a rapid industrialisation that has pushed people from rural towns to big cities, has created a two-tiered society. While major metropolises like Seoul continue to grow, putting intense pressure on infrastructure and housing. In regional towns it's easy to find schools shut and abandoned, their playgrounds overgrown with weeds, because there are not enough children.

World Population



Japan's Population Conundrum

Japan has for long been the world's largest economy after the US. After WW2, Japan established an economy based around high end electronic exports, with significant government intervention. The co-operation of manufacturers, suppliers, distributors, and banks in closely knit groups called keiretsu; the powerful enterprise unions and shuntō and the guarantee of lifetime employment (Shūshin koyō) in big corporations led to rapid economic development and Japan's economic miracle. But all of this took place with Japanese working extended hours – 9.00am-9.00pm, all in order to contribute to Japan's economic miracle, which left little time for relationships or family.

Japan's census in February 2016 confirmed the hard reality long ago signalled by shuttered shops and abandoned villages across the country: the population was shrinking. Japan's population stood at 127.1 million, down 0.7% from 128.1 million in 2010. The 947,000 decline in the population was the first since the once-every-five-years count started in 1920.

Unable to count on a growing market and labour force to power economic expansion, Japan faces severe problems given her birth rate of 1.4 children per woman. The population of Japan is forecast to fall to about 108 million by 2050 and to 87 million by 2060. The rate of population growth in Japan peaked in 1950 and has fallen continuously since 1975. By 2011 it had hit zero.

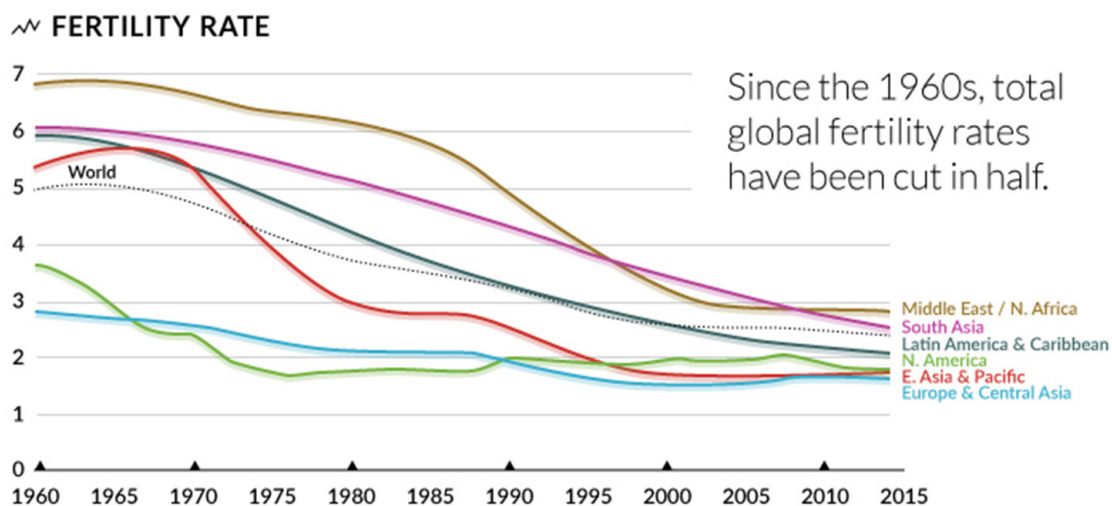
Nearly a third of all Japanese were over 65 years old in 2015. By 2050, almost 40% will be older than 65, according to projections by the National Institute of Population and

Social Securities Research, Richard Katz of The Oriental Economist forecasts that by 2045 there will be 13% fewer workers per person in Japan. That means each worker would need to produce 13% more in terms of economic value to offset the decline and maintain current living standards.

Fertility

The critical number for fertility is 2.1 births per woman. This is the number of children that each woman must have, on average, in order to maintain a generally stable world population. Anything above that number and the population grows; anything below, the population declines. According to the UN, women had an average of 4.5 children in 1970. In 2000, that number had dropped to 2.7 children. This is a dramatic drop. The UN forecasts that in 2050, the global fertility rate will decline to an average of 2.05 births per woman. That is just below the 2.1 needed for a stable world population. The UN has another forecast, based on different assumptions, where the rate is 1.6 babies per woman. So the UN, which has the best data available, is predicting that by the year 2050, population growth will be either stable or declining dramatically.

The developed nations of the world consist of 44 countries. In these countries women currently have an average of 1.6 babies each, which means that populations are already decreasing. Birth rates in the middle tier of countries such as Mexico or Turkey are down to 2.9 and falling. Even the least developed countries are down from 6.6 children per mother to 5.0 today, and expected to drop to 3.0 by 2050. In the poorest countries, such as Bangladesh or Bolivia, the birth rate is also falling, but it will take most of this century to reach 2.1 births per woman. There is no doubt that birth rates are plunging. The stunning collapse in fertility rates across the world is the biggest and least reported demographic story of the past few decades. The developed world is no stranger to falling fertility. With the exception of the postwar baby



Source: World Bank, 2016

boom, birth rates have been in almost uninterrupted decline for more than a century. More recently, however, fertility has also declined throughout the developing world and at an extremely rapid pace. Iran, a country that evokes images of traditional family values, has undergone one of the fastest fertility declines on record. According to UN estimates, the average number of children born to each Iranian woman has fallen from 6.6 to 2.1 over the past 25 years.

Why are women having fewer babies?

Before the advent of industrialization wealth to a large extent depended upon the number of children there were in a family. The more children the more workers or the more people that could work in the fields. This changed with the advent of factories that could use machines to churn out more goods than a labour worker could. The last two hundred years has seen more technological and scientific development than the whole of human history put together. Infants are no longer dying in large numbers before they reach the age of eight. Many illnesses that led to early deaths have been vaccinated against and as a result the world population grew at a colossal rate. The industrial and service needs of the global economy as well as more consumers to act as the lubricant for the global economy has seen the redefinition of the family unit, women and sexuality. The needs of the global economy, the need for consumers has led to the transformation of women and thus the family structure. Women no longer see their role as in the house to bear children but now as independent women who can pursue careers at the expense of having children and play a major role economically. The values of family and children have been replaced by individualism and for women denying their own role and leaving their historical role in the past. Equality, feminism and LGBT have in many ways been the concepts that have been the death nail for the traditional family structure. The women being the child bearer, house maker and the husband being the breadwinner has been completely transformed today and this is reflected in the fall in fertility rates around the world.

Implications

The reduction in population growth and the spectre of population decline will have a major impact on the economy and politics. The population of each nation affects all aspects of national life. A lower population affects everything from the number of troops that

can fight in a war to how many people there are in the workforce. The population of a nation affects how people live, and therefore how those countries behave.

Population decline will have major effects on global and national age structure. The world is set to get greyer as older people will outnumber younger people. Over 80s by the middle of the century will outnumber under 5s. This means the working population will need to fund a growing number of retirees, their healthcare and the impact this growing segment will have on consumption.

Shrinking populations also means declining working age populations. For a healthy economy those that retire need to be replaced with new workers. But as fertility rates drop the number of youth entering the workforce is set to be much lower than the number of retirees. A shrinking workforce has numerous economic implications. A shrinking workforce means less productivity, although this could be dealt with via automation. But it means less taxes for national governments which raises questions how national healthcare systems will be funded. A smaller workforce also means fewer consumers and basic services such as hotels, restaurants and shops will be hit. National governments will be forced to abandon some infrastructure projects and combine school districts, hospitals and even townships in order to maintain some level of economies of scale. It will be difficult for many nations to continue with their economic structure if the population is declining and this will see many shifts in the size of economies.

We will likely see competition over immigrants as the world's population growth slows and eventually shrinks. Cheap labour, skilled labour and labour that can be easily trained will be competed for as they would be in short supply. Many countries have struggled with immigrants and many immigrants are facing persecution and discrimination in the West today.

Population decline will also lead to national challenges. The US has a birth rate for white women of around 1.9 per woman, meaning that the white population is contracting, but the African-American and Hispanic populations compensate for that. This means the US will likely maintain her population with the white population becoming a minority in the long run. While Europe is on track to lose roughly 65 million people by 2050, the US is on track to

gain 100 million. Accompanying this growth gap will be a widening generation gap. By mid-century, the median age of Japan and most European countries could be well over 50, while the median age in the US will be 41. Going forward demography is increasingly leaning against the developed world. Back in 1950, all the major developed countries – Russia, Japan, Germany, the UK, Italy, and France – were among the world's 10 most populous nations. In 2050, only the US will remain.

Demographic challenges are usually tackled with immigration. The problem is that Japan and most European countries have severe cultural problems integrating immigrants. The Europeans have had particular problems with migrants from the Islamic world.

In Russia first-time mothers are being made eligible to receive maternity benefits previously paid only to women with two or more children. This is under proposals to raise Russia's birth rate. Welfare benefits would also be paid for children aged three to seven in low-income families, and free school meals would be provided for the first four years of school. A one-off "maternity capital" payment, currently worth \$7,600, was introduced for families with two or more children in 2007 under a 10-year programme. But since 2017, the birth rate has started to fall again. Families stopped giving birth even to first children. Putin recognised that this problem could not be solved with money alone.

The other solution that could mitigate the problem of decreasing population would be continuing advances in technology to increase productivity, better known as automation or robotics, but despite significant developments in these areas, they are still a long way away from being able to solve the demographic problems the planet will be facing.

Muslim Demographics

Whilst growth rates are dropping across the world, in the Muslim world fertility rates have reduced over the past decades, but remain well above the replacement rate and this is why the Muslim world, from Indonesia to Morocco will continue to grow for the remainder of the 21st century. Muslims have more children than members of the other major religious groups. Each Muslim woman has an average of 3.1 children, significantly above the next-highest group (Christians at 2.7) and the average of all non-Mus-

lims (2.3). In all major regions where there is a sizable Muslim population, Muslim fertility exceeds non-Muslim fertility.

The growth of the Muslim population is also helped by the fact that Muslims have the youngest median age (23 in 2010) of all major religious groups, seven years younger than the median age of non-Muslims (30). A larger share of Muslims will soon be at the point in their lives when people begin having children. This, combined with high fertility rates, will accelerate Muslim population growth.

After a century of explosive growth fertility rates have slowed and are projected to slow further from 2020. The population in the Muslim world until 2050 is only going in one direction and this is up, although the rate of growth is expected to slow. Going forward, there are few places in the world that will be subject to as much pressure from growing numbers of people as the Muslim world. This rising population will need to be watered, housed; they will need new and modern transportation systems and labour markets. Competition for jobs, especially government jobs, and housing and the poor quality and inadequate provision of public services are prime causes of the deep dissatisfaction with the status quo that marks so many of these societies. The stress these demographic pressures exert—and regional governments' ability to mitigate them—will play a major role in determining the future trajectory of the Muslim world.



Conclusions

At the end of 2021 the US remains the global superpower, but her position is not assured for the foreseeable future as her credibility has been tainted. The reliability of the US for her allies, her ability to shape global events and her dominance are not what they were two decades ago. Whilst the US in the 1990s demonstrated her military superiority in the desert fields of Iraq in 1991, her corporations dominated the global economy throughout the 1990s and the American dream was something the world looked up to. In the 21st century the images that the US is linked with is the chaos that is Iraq, the debacle that was Afghanistan when the US got up and ran and Donald Trump sticking up two fingers at the world – these are images the US is now symbolised with.

Whilst the US still has much power at her disposal her use and effectiveness is not what it used to be and this means any challenge to the US would not place it in the position of strength it is accustomed to. Despite this the US maintains a host of vassal nations, rulers and groups that she is able to use to achieve her goals, but her economic, military and ideological supremacy is not assured.

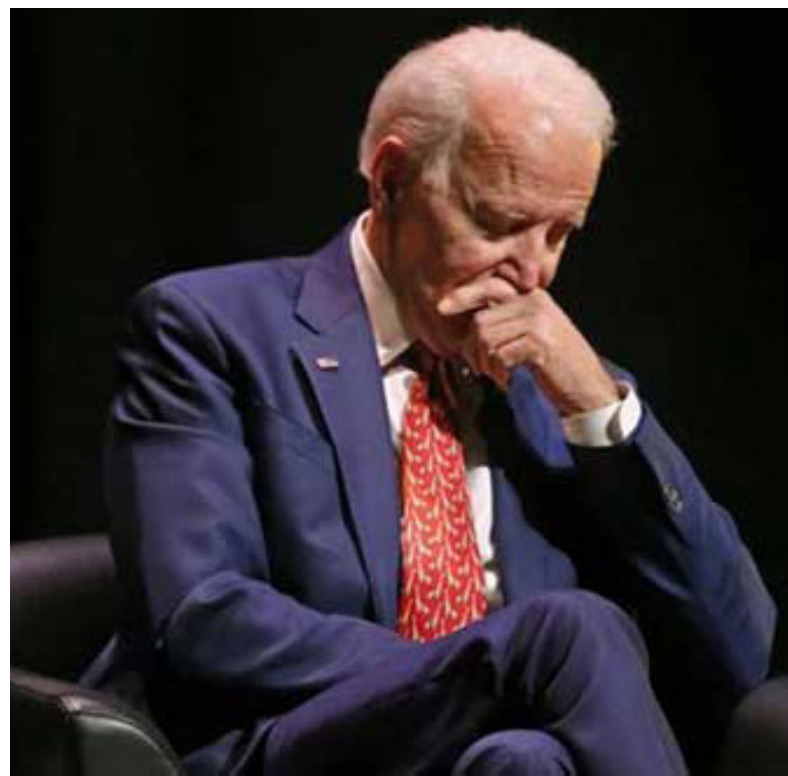
China is believed to be the nation that will at some point replace the US. The battle for global supremacy between the US and China is the defining feature of the global system and balance of power. Whilst the CCP celebrated the party's 100 anniversary in 2021, China has come a long way from 1979, but it faces many challenges domestically from internal cohesion, a sustainable economic model and dominating her own region. As China seems to be the only nation expanding her military, posting high GDP growth rates, building infrastructure and sending missions to space, it's seen as the nation that will replace the US. China has still not determined how the world should be and what it plans to do about it. China believes there should be a global hegemon, but she remains focused on her region and maintaining commercial and economic relations with the rest of the world. Nowhere in the world does she compete with the US and this remains a major stumbling block for all the talk of China replacing the US.

Russia remains a power that has significant influence in the Baltic, Eastern European, the Caucasus and Central Asian regions. Beyond these regions Russia

reaches out with defence sales, energy exports and commercial agreements. Sensing her lack of capabilities beyond the regions that surround mainland Russia, she relies upon hybrid tactics such as funding right-wing groups, cyberwarfare and interfering in elections all to sow the seeds of instability. Whilst this does provide Russia with the credibility of being a power it does little to alter her position as a competitor to the global power, thus keeping superpower status beyond her grasp.

Europe has been a key feature of global politics ever since Europeans discovered the Americas, but it would seem Europe's position is declining. This began with the emergence of the US as the global superpower after WW2, where the centre of gravity shifted to North America, but with the rise of the Far East we may well be witnessing the replacement of Europe as a major player in the world. The decline of France and British influence around the globe is the main reason for Europe's decline and it's likely Europe will be choosing sides in the next global competition rather than leading a side.

We are now officially in a period where the global superpower has lost credibility and is struggling to maintain her position at the top. It's there for the taking but is there any nation in the world with the capabilities, foresight and ambition to challenge her global supremacy. This question will define the global system for the foreseeable future.



2022



French presidential elections

France will go to the polls in April 2022 to elect their president. In the last elections in 2017 with no outright winner in the first round the ring-wing Marine Le Pen from the anti-immigration right-wing party Le Rassemblement National took on Emmanuel Macron in the second round and ultimately lost to him. Macron only set up his political movement months before the elections. Being the outsider worked for him back in 2017 as anti-establishment figures did well across the world. Macron has managed to keep his approval ratings stable for most of his term, but the “Gilet Jaunes” or “Yellow Vest” protests continue to threaten his presidency and concerns remain amongst the French over energy, immigration and healthcare. As things stand it would appear Marine Le Pen presents the only real threat to Macron and will likely face him again in the second round of the French elections. The French elections were designed with two rounds to ensure unconventional parties do not get to power. Any shift in French politics has an impact on Europe as France is a key player on the continent. But it remains to be seen, despite the headlines, if Macron can be removed.

India state elections

Several Indian states are scheduled to hold elections in early 2022 with the presidential elections scheduled for later in 2022. President Narendra Modi has used religion and caste politics to strengthen his support base throughout his term. This emboldened right-wing Hindus and the many videos online show the repercussions of this. But Modi's BJP faced some challenges going into 2022's elections. The BJP's mismanagement of the COVID-19 pandemic threatens its Hindu nationalist strategy. The farmers' protests against the BJP's agricultural reforms builds the perception that the BJP is in a weaker position going into the elections. Modi can really only be unseated if the opposition can unite, maintain their cohesion and build alliances in different states unseating the BJP. But the main opposition party the Indian National Congress (INC) has been suffering from its own internal divisions, especially in India's most populated state, Uttar Pradesh. The elections in key states in early 2022 will present an opportunity to gauge whether the opposition can challenge the BJP.

US Midterms

In November 2022 Congress heads to the midterms, where the Democrats hold a slim 220-212 majority. Eight democratic senators are retiring from politics altogether, which raises the real prospect of the democrats losing both houses for the remainder of their term putting at jeopardy President Biden's legislative agenda. President Biden was meant to be the experienced commander in chief, who was going to bring stability after President Trump ran the White House like a reality TV show. But Biden's approval rating has been declining as his first year has worn on. The rise in COVID-19 deaths from the summer of 2021 and President Biden's inability to connect with the millions that voted for Donald Trump, who continue to believe the election was stolen, do not help the president's ratings. The Mid-terms could be the beginning of the end of President Biden, unless she can turn matters around.

Afghanistan on the verge of collapse?

The United Nations World Food Programme (WFP) estimates more than half of Afghanistan's 40 million people cannot feed themselves. Drought, Covid-19 lockdowns and conflict have all contributed, but the catastrophe has dramatically accelerated in months the Taliban have been in power. Whilst the Taliban are being labelled with causing the crisis, much of it is to do with western indifference. Foreign troops and foreign money propped up the western established government for nearly two decades. Jobs were created by the regime to maintain support and this all collapsed as America's two decade war saw them abandon the nation. The nation which has been totally reliant on foreign aid for two decades has been cast off by donors now. The US placed sanctions on the Taliban and refused it access to the \$10 billion in foreign exchange reserves the US holds in banks outside of Afghanistan. The West are all using the crisis to gain reforms and guarantees from the Taliban, which all brings the people of the country to the brink of destitution.

Imran Khan's Failing Innings

With three years of his term now behind him, former cricketer turned politician, Imran Khan faces a tsunami of problems. After grand promises of Naya (new) Pakistan, the establishment of the Medina model and a welfare state, the PTI project is now on life support as once die-hard supporters have had enough of grand promises, fiery speeches and the constant shifting of blame on others. The Prime Minister is under criticism due to his government's failure to make progress on the economic and political fronts as well as decisively confront the COVID-19 pandemic. The opposition has coalesced into the Pakistan Democratic Movement (PDM) using the same blueprint Imran Khan utilised to oust premier Nawaz Sharif from power. What makes this situation even more critical is due to the support Khan received from the real rulers of Pakistan, the military leadership. Their differences over the appointment of the new ISI chief shows the army has seen Imran Khan's popularity waned. Pakistan sits in a critical region, in between China, the US, central Asia and Afghanistan, 2022 will be a critical year for it.

China's Mute Response to American Moves

The AUKUS deal between the US, Australia and the UK was a major achievement by the US in its bid to contain China. The US now has an array of allies who are being supported with military, technology and economic aid to contain the Middle Kingdom. Like the Cold War, building and strengthening allies is America's strategy in dealing with China's rise. But there has been little from China to push back against this. China still does not have any allies it can reliably depend upon against the US. Whilst China has deep, economic and commercial ties with the majority of nations in the world, none of these have translated into political influence where China can rely upon them to back her against the US. China needs to push back against the US and whilst it has some longer term plans there has been little short to medium term policies to threaten America and this is needed if China wants to continue its ascent.

Phase one trade deal a failure?

Donald Trump began the trade war with China launching America's other strategy to contain China. After a number of rounds of tariff increases Trump eventually ran out of commodities to place tariffs on. At the end of 2021 the Trump administration agreed a Phase One trade deal with China, which did not address the key issues of contention such as intellectual property theft, US access to China's domestic market and China increasing imports from the US. President Joe Biden has been busy in his first year dealing with Covid-19 and his declining popularity. Whilst President Biden has been aggressive in his statements against China, his actions have been soft. In October 2021 the US administration's China trade policy team-maintained Trump's approach of imposing tariffs and targeting China's trade practices. All of this would indicate the Phase One trade deal has been a failure. The US has failed to change China's behaviour and the Phase One trade deal didn't even address the most contentious issues.

The Iran Problem

Nuclear talks began between the US and Iran in December 2021 after a 5 month hiatus due to Iran's presidential elections. Whilst these are talks between the US and Iran, in reality they are between a group of western nations, with the US not directly speaking to the Iranian representative. These talks come after Donald Trump ripped up the Joint Comprehensive Plan of Action (JCPOA). Once Joe Biden became president in January 2021 talks were revived to negotiate a new Nuclear deal. The challenges that stand in the way are Iran's contention that all Trump era sanctions should be removed as a condition for the talks. Iran had reached uranium enrichment of 60% when the talks were revived and this is leading Israel to push for an end to talks and more aggressive action against Iran. Low-enriched uranium, which typically has a 3-5% concentration of U-235, can be used to produce fuel for commercial nuclear power plants. Highly enriched uranium has a purity of 20% or more and is used in research reactors. Weapons-grade uranium is 90% enriched or more. With President Biden's popularity in decline it's likely the US will use more bellicose language with

Iran making the possibility of a deal in 2022 even more unlikely. For the moment US attention is focused elsewhere and Iran remains a periphery issue for it.

Trouble ahead for Erdogan

After two decades in power the popularity of the AKP and its leader Recep Tayyip Erdogan have reached a point where victory in the 2023 elections is not guaranteed. The results from the Yonylem Social Research Center in November 2021 showed support for the AKP trails the opposition Republican People's Party (CHP). Currently the AKP is in a coalition with the Nationalist Movement Party (MHP) allowing it to pass legislation, but it's likely the MHP will struggle to get similar support due to the AKPs declining popularity. The coalition's economic management has led to inflation, unemployment and debt problems. Scandals such as the 2019 Istanbul mayoral election and the government's botched response to the 2021 summer wildfires are all causing many to lose confidence in the government. Erdogan plans to reduce the electoral threshold to enter parliament from 10% of the national vote currently to 7%, in the hope the MHP can enter parliament. It's unlikely this will change matters around for the AKP, who will be forced in 2022 to other means to win the 2023 election. Erdogan will likely undermine electoral institutions' independence, censor the media, resorting to narrow Turkish nativism and exploiting international crises for political gain.

Sudan instability

Sudan has descended into crisis after the military dissolved the country's shaky power-sharing government and declared a state of emergency in October 2021. The move has crushed hopes for a peaceful transition of power following the ousting of former President Omar al-Bashir in 2019, ending his brutal three-decade-long rule. Sudan's military leadership along with the opposition groups established the Sovereignty Council in order to transition to a formal government. But the military overthrew this arrangement in October 2021 sending the country into disarray. Abdalla Hamdok was eventually restored to office after reaching a political agreement with the head of the coup – Abdel Fattah al-Burhan. The military dissolved the sovereign council only to restore the political set-up with a new deal with Abdullah Hamdoug. The other opposition parties that elected Hamdoug 2 years ago have refused to support the new deal. The public outrage over the economic situation has turned into debate about restoring civilian rule which the military refuses to do, aiming to maintain its own position at the zenith of Sudan. It's likely the instability will remain throughout 2022.

Keeping the UK together

The UK's departure from the EU has created a number of unintended consequences, one of them being keeping the UK together. Whilst Britain is marketing 'Global Britain' as her foreign policy, questions of Scottish secession continue to bog Westminster. The British government commissioned a report in 2020 which assessed the various measures that can appease calls for Scottish independence. The measures included transferring additional financial powers to Scotland and granting it a different status from the rest of the UK. The major issue Westminster faces is that in the long-term London lacks the influence, power or capabilities to keep the UK isles united. The days of empire are well behind it now, which was one of the main reasons Scotland joined the union and now that the UK has left the EU, Scotland, Northern Ireland as well as Wales have little reason to remain.

Is Russia Getting Ready to Invade Ukraine?

By the end of 2021 Russia had amassed a substantial force along its border with Ukraine. The size of the force is around 90,000 soldiers according to Ukrainian officials, not enough to occupy Ukraine, but if it's to occupy key points in Ukraine this is possible. But the public advertising of Russian moves goes against the Russian invasion and occupation of Eastern Ukraine and Crimea. Then there is the issue of substantial sanctions and economic pain from the West if Russia does indeed invade and occupy Ukraine. Russia has economic, political and energy options to destabilise Ukraine, which are far less costly than direct war. But with the US sending military advisors, drones, surface-to-air weapons and other military equipment, Russia may feel it has to move if it wants to keep its grip over Ukraine.

COVID Recovery?

National lockdowns across the world plunged national economies to record lows with many witnessing shrinking economies worse than those seen during the great depression. 2021 saw very unequal growth around the world, but with the 3rd variant of COVID-19 the outlook for the global economy looks bleak in 2022. Global supply chain problems, electrical blackouts, inflation and unemployment are all now part of the growing list of economic challenges. The challenge in 2022 will be how to recover when lockdowns have caused devastation across national economies. Retail has been decimated, small and medium enterprises (SME) have been decapitated, the services and entertainment industries have fallen apart. Whilst governments have resorted to payroll support the decimation of numerous industries will be a major problem in 2022.

End of political Islam?

The electoral defeat of Morocco's Islamic party in September 2021 reflects people's frustration with their country's poor economic situation, as well as the failure of other Islamic groups who emerged victorious after the Arab spring uprisings. But the inability of such parties to make root and branch changes, compromise and back tracking on Islamic governance in the name of moderation ultimately led to their failure. In all the nations where the Arab spring took place much of the pre-uprising architecture remains in place such as economic mismanagement, lack of rights and authoritarianism. This all means it's likely we will see a repeat of what took place in 2011, though it remains to be seen if 2022 will be that year.

Balkans: Dayton Accords coming apart?

It has been 26 years since the Dayton agreement was made to bring to an end the Bosnian War, one of the Yugoslav Wars. The warring parties agreed to peace and to a single sovereign state known as Bosnia and Herzegovina composed of two parts, the largely Serb-populated Republika Srpska and mainly Croat-Bosniak-populated Federation of Bosnia and Herzegovina. But in December 2021 Serb lawmakers in the Bosnian Serbs' autonomous republic began the process of withdrawal from key national institutions in Bosnia-Herzegovina, in effect, seceding. The Dayton system was in reality a stopgap measure to end the war and was never intended to be permanent. Many Serbs still reject the international-court verdicts that established the Srebrenica massacre as genocide. With the Serb side so roundly rejecting it they believe they do not need to abide by the Dayton Accords agreement.

Climate Change Initiatives Hit a Wall

The COP26 summit in Glasgow in November 2021 ended after two weeks of lengthy discussion and apocalyptic cries. In the end the final statement agreed to phase down rather than phase out coal use. The conference participants also agreed to meet again in a year's time to talk about everything all over again. The divide between those who believe the world is at a tipping point and those that want to maintain the status quo

was as stark as ever. The world powers with their lobby groups outnumbered those that wanted to see urgent action. The conference saw many pledge emission reductions and the phasing out of fossil use from 2050 onwards, which are easy to agree to as there is no legal requirement, or international institution that will be holding pledgers accountable. Whilst the left push for action those on the right and extreme right deny there is a problem or believe there is plenty of time to deal with it. It's unlikely in 2022 we will see any firm action but protests and pressure by those who want to see action is already becoming a domestic electoral issue in many western nations.

Democracy Hits rock bottom

A majority of young Americans are worried about the state of democracy in the US according to Americans (age 18-29) conducted by Harvard's Kennedy School. 52% of the polled believed that American democracy is "in trouble," at 39%, or "failing," at 13%. Not only do young people worry about the state of democracy, some also worry about a full-scale civil war erupting in America with 35% believing that they'll see a second civil war in their lifetime. "We have twice as many young Americans describe the state of our democracy has failed as compared to being healthy," said IOP Polling Director John Della Volpe. These trends come as US President Joe Biden held a virtual democracy summit in December 2021 as confidence in democracy is at rock bottom across the western world with many turning to unorthodox political groups and individuals as they feel democracy doesn't work for them. The fact that democracy needs a conference shows the severe problems it's facing.

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