



STRATEGIC ESTIMATE 2023

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Introduction

In the early hours of Thursday the 24th February 2022, Russian president Vladimir Putin, announced a “special military operation” to “demilitarise” and “de-nazify” Ukraine. After months of building up Russian forces around Europe’s largest nation and despite Russia’s war plans being leaked by the CIA, Russia made its move and began Europe’s latest war. At the end of 2022, the repercussions are still being felt. 2022 has been dominated by the Ukraine war and it has drawn in all the global powers, with many willing participants and other less than willing participants being forced to take sides. Not surprisingly the Ukraine war and its impact, is the main theme of this year’s *Strategic Estimate*.

For the US, Russia’s invasion of Ukraine presented an opportunity to engulf Russia in a quagmire and turn her into the most sanctioned country in history. The US can, in the long term, use these tools to influence Russian actions, but these actions are having unintended consequences. In *Strategic Estimate 2023* we assess how the Ukraine war is going for the US. In January 2022 a group of former US generals writing in the Washington Post described the possibility of a coup if Donald Trump did not win the next US election. They pointed to the deep divisions in the US from race, economics, politics and a multitude of other issues tearing the nation apart. These generals pointed to the growing polarisation that is causing divisions in the US and will impact its global position. In *Strategic Estimate 2023* we assess America’s domestic situation, the points of divergence and what this means for US global power. Despite all these challenges the US has been able to begin new initiatives in 2023. The first of

these was a new economic engagement initiative, the Indo-Pacific Framework for prosperity (IPEF), the first for the US in the region since it withdrew from the Trans-Pacific Partnership in 2017. In the context of its competition with China, this is a significant development and in *Strategic Estimate 2023* we assess its implications. In 2022 the US began seeking to take the lead in the new space race as its long-awaited Artemis programme took shape that aims to carry a lunar manned mission by 2025. The space mission comes amid increasing competitions over the moon by other space rivals and in *Strategic Estimate 2023* we assess the 21st century’s new space race.

After occupying Crimea and parts of Eastern Ukraine since 2014, Russia launched a full-scale military invasion of Ukraine in 2022. The invasion that began in February 2022 went wrong in every possible way, forcing Russia to make major adjustments, and by the end of 2022 Russia has given up conquering Ukraine. Why did Russia invade Ukraine? Why has it performed so poorly? How can Russia now win? These are all questions we attempt to answer in *Strategic Estimate 2023*. Russia is now the most sanctioned country in history, the US has cobbled together a coalition of the willing and not so willing to implement its sanction programme to force a capitulation from Russia. But Russia is fighting back against the economic war started by the US and we assess its strategy in *Strategic Estimate 2023* and what its long-term implications are.

In October 2022 the Chinese Communist Party (CCP) held its twice a decade general National Congress, where the leadership is confirmed and key pol-

icies are agreed. Xi Jinping was confirmed for another term and this cemented his place at the top of the CCP. In *Strategic Estimate 2023* we assess Xi's decade in power and the growing challenges he will have to tackle. In 2023 China's global infrastructure development strategy, the Belt and Road Initiative (BRI), will reach its first decade anniversary. Launched back in September 2013 in a speech by Xi Jinping in Kazakhstan, the project was as astonishing as were the questions on its economic viability. Whilst the Chinese call it the 21st century's Silk Road, others have called it Chinese neo-imperialism and a debt trap. In *Strategic Estimate 2023*, we assess where the BRI is after a decade and whether it has strengthened or weakened China? China also continues to strengthen itself in its region and for the first time it agreed a security-defence agreement with a nation in the region, the Solomon Islands. The US also intensified tensions with China by banning Chinese access to advanced semiconductors. In *Strategic Estimate 2023*, we assess what this means for China's regional ambitions.

Europe watched in horror as Russian troops invaded Ukraine and despite earlier concerns both France and Germany joined the US in condemning Russia



and in sanctioning her for invading Ukraine. But this has created unintended consequences with Russia cutting energy to the continent that has created major social issues. The European continent has struggled to reduce its dependency on Russian energy and now the EU has been forced to find alternative suppliers and develop a new strategy for fulfilling the continent's energy needs. In *Strategic Estimate 2023* we assess the Ukraine war from a European perspective and the EU's energy strategy to move away from Russian energy. Germany, Europe's industrial powerhouse, now finds itself wedged between the US and Russia and faces a major strategic dilemma of having to choose between which power it will stand alongside. The UK exited the EU in January 2021 and since then the country has had three Prime Ministers. The utopia that was promised from leaving the EU has not materialised. In *Strategic Estimate 2023* we assess the state of Britain in a post-Brexit world.

Russia's invasion of Ukraine and the subsequent economic response from the West has disrupted globalisation as we know it. Globalisation had already taken a hit prior to this crisis but the response to Russia's invasion of Ukraine has disrupted a number of standards in the global economy. We assess these in *Strategic Estimate 2023* and what this now means for the world.

The War in Ukraine has had a knock on effect on the global energy markets as the world's largest producers and consumers of energy were all impacted. The actions by the West to deprive Russia of its energy wealth via sanctions and reorienting supplies will have major repercussions going forward. The state of global crude oil is the geopolitical subject of study in *Strategic Estimate 2023*.

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USA



America's Latest Proxy War

Russia's invasion of Ukraine is viewed by Berlin, London and Paris as a threat to Europe and the West, but it has presented the US with a unique opportunity to achieve a number of its strategic interests. The US did not deploy troops but decided to arm the Ukrainians and begin an economic war with Russia. America looks upon Europe as a region that consists of a number of powers. This is the continent that colonised the world and where two world wars took place. As the US is separated from Europe by the Atlantic Ocean, the region doesn't pose a threat to her. But if Europe were to be dominated by a single power, that power could marshal both human and material resources and become a power that could challenge the US. On the two occasions Germany attempted this the US intervened on the European continent. After WW2 the Soviet Union became the dominant power and a decades long Cold War took place.

But ever since the collapse of the Soviet Union in 1991 the US expanded NATO into the former Eastern bloc to consolidate its foothold in Europe. The consolidation of Russia under Vladimir Putin and Russia's security class brought back the prospect that a power could dominate Europe. In response the US came to pursue Colour Revolutions to weaken Russia. For the US Ukraine is the latest battleground in preventing domination of Europe by any single power.

Whilst Ukraine is seen as an extensional issue for Russia, the US has been using Ukraine's western leaning leaders to incite Russia. As Ukraine moved closer and closer to the West, Russia felt threatened.

The EU promised Ukraine future candidate status, whilst NATO has been regularly conducting training with Ukraine's military. All of this alarmed Russia.

Putin and the Russian leadership have watched NATO carry out large and extensive exercises with Ukraine. 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 at the exercises, Alexey Arestovich, said that *"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 practicing for, well, let's put it directly, the war with Russia, the scenario of armed confrontation with Russia."*¹

Russia responded by moving 85,000 troops to within 25 miles of the Ukrainian border. Despite the increase in hostilities and the atmosphere of war, Russian troops eventually pulled back after US President Joe Biden held a summit with Putin in June 2021 in Geneva Switzerland. Despite matters quietening down the atmosphere increased again from September 2021. It began with NATO exercises with Ukraine in 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. Ukrainian Brig. Gen. Vladyslav Klochkov said: *"This exercise is not just another stage of military skills improvement. But also an important step toward Ukraine's European integration. It will strengthen the operational capabilities of our troops, improve the level of interoper-*

ability between units and headquarters of the Armed Forces of Ukraine, the United States, and NATO partners.”²

The US then further upped the ante against Russia. In November 2021 the US deployed its 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, as a “...*threat to regional security and strategic stability*”³ It was after this Russia began moving troops towards Ukraine and created an atmosphere of war. It was these troops after concentrating around the Ukraine border that invaded Ukraine in February 2022.

The US, through military exercises between NATO and Ukraine, had been boiling the atmosphere in Eastern Europe. Russia has for three decades been declaring the areas between Moscow to Germany as her sphere of influence, something she needs for her security and the US continued to incite Russia by proclaiming Ukraine will one day join NATO.

The question is why would the US incite Russia to go to war in Ukraine?

The US was able to integrate Europe into its security and political architecture due to the threat of invasion. The Soviet borders during the Cold War went all the way to Berlin in Germany. But after the collapse of the Soviet Union in 1991, the signing of the Maastricht Treaty that unified Europe like never before, the US used the threat of Russia to keep Europe and the newly independent Soviet republic integrated with the US. But transatlantic relations reached rock bottom during the Trump era. The French were criticising US foreign policy and challenging it in some regions of the world. Whilst the Germans were building the Nord-Stream 2 pipeline with Russia which would strengthen Russia’s position in Europe. Europe was distancing itself from the US, especially after the debacle of the Afghan withdrawal in August 2021. Europe was even talking about speeding up its plans to establish an independent European army, separate to NATO. If the US could incite Russia to go to war in Ukraine, Europe would need US assistance, thus reversing the transatlantic relationship that was drifting apart.

The US kept announcing Russia was preparing for war and revealed military details via its intelligence agencies of Russian troops and equipment move-

ments. In early February 2022 the US published the intelligence it had on Russia’s invasion of Ukraine.⁴ Despite this information being publicly available, from a Russian perspective its war plans had been leaked. But despite this, Putin still decided to invade Ukraine.

America’s support for Ukraine in a number of key areas has caused major problems for Russia.

Intelligence - The US has provided Ukraine with information on command posts, ammunition depots and other key nodes in the Russian military lines. This real-time intelligence allowed the Ukrainians to target Russian forces, kill senior generals and force ammunition supplies to be moved farther from the Russian front lines. One major success in intelligence sharing was the sinking of Russia’s flagship Black Sea missile cruiser, the Moskva on 14th of April 2022. Ukraine struck the warship with two anti-ship missiles after the US gave the location of the warship.

Weapons - The US provided Ukraine dozens of different munitions and weapon systems. This included High Mobility Artillery Rocket Systems (HIMARS), Guided Multiple Launch Rocket Systems (GMLRS) and 155-millimetre ammunition, Javelin missiles and Harpoon missiles. US military assistance at the end of 2022 was over \$16 billion. The transfer and sale of US military equipment and systems continues to play a key role for the Ukrainian military. The Russian defeat in Kharkiv in September 2022 was a result of US supplies that continue to arrive in Ukraine.

Finance - The US government has disbursed several packages of emergency funding for Ukraine, worth over \$40 billion, split relatively evenly between military support and humanitarian aid. With Ukraine’s economic production at stand still and productive regions of Ukraine now annexed by Russia these US financial packages are keeping Ukraine in the war.

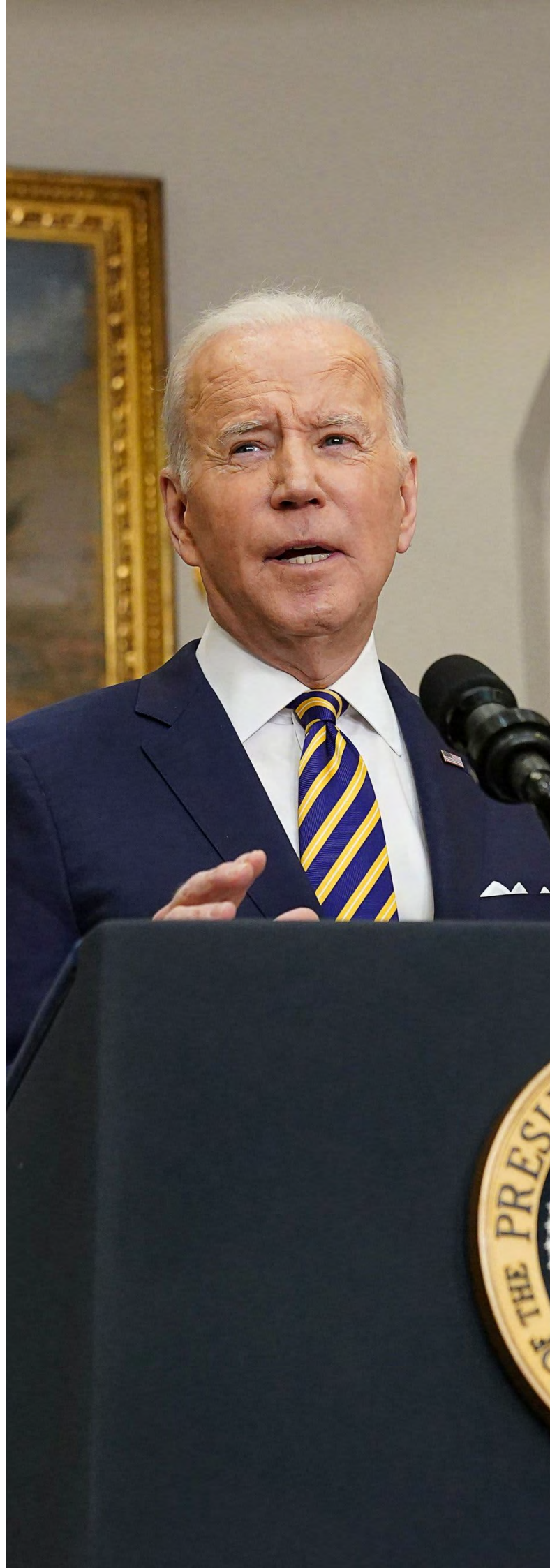
Sanctions - US support for Ukraine against Russia has seen the White House launch a financial war against Russia. The US has now sanctioned everything from regime officials, to trade with Russia, from cutting Russia off from global trade to sanctioning Russian financial institutions. The US has worked to isolate Russia and banned the sale of microchips and other technologies, something Russia has a major dependency on. The US has also banned the export of specific oil refinery technologies. The most powerful sanction on Russia has been the

decision to deny specific banks access to the SWIFT system, the worldwide financial messaging system.

Energy Embargo – The US also moved to target Russian energy, something Russia relies upon. On the 1st March 2022 the US banned imports of Russian oil, which eventually became an embargo on oil, gas and coal. This was the first move by a Western nation to impose a blockade on Russian energy. Whilst the US only imported a small amount of energy from Russia, this outright ban would not be effective if Europe continued purchasing energy from Russia. Pressure by the US led Europe to begin the process of reducing and then eliminating European energy purchases. By September 2022 the G7 agreed to cap the price of Russian oil.

The Invasion of Ukraine allows the US to now configure a new balance of power arrangement to safeguard US primacy

The US has been able to achieve a number of its long-term interests with the war in Ukraine. But its actions have also led to unintended consequences which will in all likelihood cause long-term pain for US allies. Through Russia's invasion of Ukraine the US has been able to get Europe firmly behind it after the Trump era caused a major fracture in transatlantic relations. Whilst Germany and France were reluctant to impose sanctions on Russia, once Russia invaded Ukraine they got firmly behind the US. Europe has now begun the process of reducing its energy imports from Russia. This has caused energy prices to skyrocket and will cause short term pain for Europe, but for the US it means Europe's dependency upon Russia is reducing. The US has been able to achieve all of this without putting US military personnel in harm's way. It's been able to use its financial and economic capabilities and allies to do the heavy lifting whilst the US finances, provides military platforms and uses the global financial and economic system to achieve its long term goals. Europe is now facing significant financial pain for being on the front lines of America's proxy war and it remains to be seen if this united front against Russia will last. The invasion of Ukraine allows the US to now configure a new balance of power arrangement to safeguard US primacy.





America's Political Polarisation

There is very likely no democracy in the world more politically divided, or politically dysfunctional, than the US today. The capitol riots where the incumbent president and his supporters refused to accept the electoral result and decided to attack the very institute that represented their democracy has confirmed the festering wound in the heart of American politics. The divisions amongst the American people are now clear for everyone to see. The ramifications of the actions the world witnessed in Capitol Hill go far and beyond the physical act of vandalism and occupying America's Congress building.

America's domestic political polarisation has reached a point where officials believe a military coup could take place if the 2024 electoral result does not go the way of Donald Trump's supporters. In a Washington Post op-ed three retired US generals warned that another insurrection could occur after the 2024 presidential election and that the military could support it. The generals – Paul Eaton, Antonio Taguba and Steven Anderson said: *“In short: We are chilled to our bones at the thought of a coup succeeding next time.”*⁵ A lot of this is based upon the fact that many serving and retired officers took part in the Capitol Hill riots. Many Americans believe the US is heading towards its second civil war as many of the conditions that led to the original civil war are present.⁶ Until now the discord within the US has not reached

a point where it impacted America's global position, but we may soon reach such a point.

When White Americans Become a Minority

The US was created through the genocide of the indigenous people of North America who were already present on the North America continent. Aswell as the continuation of slavery, something the Europeans brought to the continent. It was an extremely slow process by the US to address the inequalities and structural nature of racism against Africans who were brought to the US as subhuman.

It took nearly a century after the end of the civil war for the 1964 Civil Rights Act to get passed. But in the past few decades America has been addressing its legacy of slavery from anti-discrimination laws to bringing African Americans towards a more even footing, which eventually paved the way for the US to elect its first black president. But the emergence of the Black Lives Matter movement shows there is still a long way to go.

All this 'special attention' to African Americans has seen a backlash by another segment of the US populace. Many white, rural Americans see their position in the US as under threat. US Census Bureau results from 2021 show that for the first time the nation's

white population declined compared to the previous decade. This has only added to the fears of “white replacement” stoked by Donald Trump and many of his followers. America’s white population has now fallen to below 60% of the nation’s total population and is continuing to decline and within around two decades white Americans may very well be a minority. This demographic trend has resulted in the rise of populists in the US, chief amongst them is Donald Trump. Given the structural way racism has been woven into America’s fabric combined with years of neglecting the problem, race relations have contributed mightily to the current state of US polarisation.

Economic Inequality

When the US was on the path to becoming a global power its domestic economy played a central role in creating immense wealth. The American dream described how any person who wanted to become rich could do so in the US if they worked hard as the nation would provide the opportunities. But wealth inequality has always been a problem in the US and as the US economy grew, so has inequality.

Global free trade after WW2, globalisation in the 1990s and rise of automation has seen US manufacturing shift abroad leaving the average US worker without much opportunity. The safety net for US workers is much lower relative to Europe and this has been devastating for many white Americans in traditional rust belt regions. The rise of China has also seen many industries shift to the Far East and this further decimated many communities who feel they have been economically left behind

It was here when Donald Trump entered the Republican nomination race that this segment of the US public finally got someone who recognised their plight. In his campaign for the 2016 Republican nomination for president, Trump listened to such people at a time when no one else did. He recognised the desperation of the White working class over the deteriorating industrial economy and encouraged them to racialise that desperation and to blame outsiders.

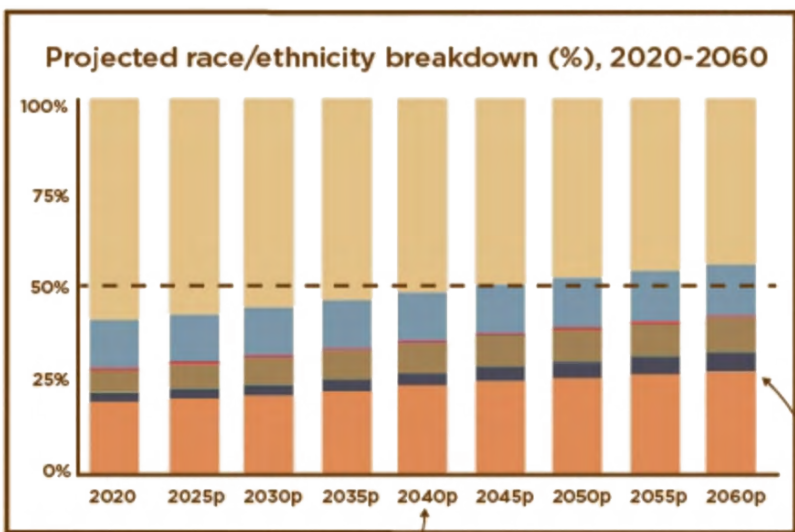
For many white, rural Americans, the economy has left them behind and doesn’t even cater for them. For the nation that was sold the American dream, for many white Americans it’s a nightmare and that’s why they turned to a populist leader as no other leaders listened to them.

Politics

In his first speech as president-elect, Joe Biden made clear his intention to bridge the deep and bitter divisions in American society. He pledged to look beyond red and blue and to discard the harsh rhetoric that characterises America’s political debates. It was always going to be a difficult struggle as Americans have rarely been as polarised as they are today.

But with the large wealth inequality in the US, politics has come to be captured by an extremely small segment of the public, from Wall Street to large corporations and a few billionaires. The fact that a presidential run requires billions in campaign donations, money has captured the US political system. This is why many in America have long felt the political system doesn’t represent them. This is the prime reason why many working class, White Americans still support Donald Trump as all the other politicians are more interested in serving special interest groups or the 1%.

For Americans, politics was about either supporting the Republicans that supported big business and conservative elements of the population, or it was the Democrats that represented minorities and the working class. But as these parties failed to look after their supporters and turned more and more to winning elections and representing the 1%, many turned to the right and unorthodox politicians. They also turned to more and more hard-line positions and now identify themselves well beyond the traditional two party system.



Over time, the share of white populations is expected to decline to less than half (44%) of all Americans after 2045.

The proportion of those with multiple racial backgrounds will more than double by 2060.

For politicians to win their seats they will need to cater for such an evolution and this is leading to many politicians to take extreme positions. Donald Trump in his presidential campaign back in 2016 described Mexicans as “*drug dealers, criminals and rapists.*” In comments about Texas’s independence movement, senator Ted Cruz remarked: “*Texas should secede from the US if Democrats fundamentally destroy the country,*” he added Texas should “*...take NASA, the military and the country’s oil supply along with it.*”⁸

There are many other factors that are causing political polarisation in the US. The fragmentation of US tech companies into more and more niche offerings until consumers now only “enjoy” those viewpoints that reinforce their own is also a major contributing factor. For the moment, domestic polarisation has not impacted America’s global position but it’s just a matter of time before the dysfunction at home affects everything abroad.



Can a Coup Succeed in the US?



A coup in the US would be difficult as the government and power is diffused far and wide. You have the White House, the actual government and the Congress. Although it's not impossible to undertake a successful coup in the US, running a military regime after the coup would be extremely difficult. This is because the public and even the army believe a coup is unconstitutional and even the army believes the country's rulers, however bad they may be, should be elected by the people.

The major obstacles that would need to be overcome is the fact that the military is not led by one person. The National Guard also does not come under army authority but reports directly to state governors. They would have to be neutralised. This can be achieved by the coup plotters denying them information and moving quickly, so they have no chance to react and counter the coup.

There is also the issue of the sheer size of the US. The coup plotters would have to take over more than Washington DC, the coup plotters would have to seize the centres of political, financial and media power. They would also, at a minimum, need to secure Manhattan and large parts of Los Angeles. This would mean the coup will be large, require immense coordination and still need to be over quickly, before any other faction can organise a counter attack.

The key to any successful coup is to create the expectations of success, leading it to becoming a self-fulfilling prophecy. The way to do this is to broadcast the fact that the military has taken over, its coup is already a success and anyone thinking of countering the coup, is doomed to fail. Calling the coup plotters

bluff will lead to the failure of the coup, so the coup plotters have to deal with this possibility before making the announcement via mass media broadcast.

The coup plotters would need to capture as much of the government as it can. This can actually be arranged by the army calling a meeting of the government, and arresting or holding the government. The military would need to deploy and take over key symbolic centres of power, to show it has taken over. This is where it would get complicated as the US is large and this would require a large force to coordinate in different parts of the US.

If the coup comes from the top of the army, then they would not need to worry about much of the army standing in the way, but it cannot be guaranteed that officers lower in the hierarchy will carry out their orders. The sheer implausibility of a coup means that the US domestic intelligence agencies, particularly the FBI, are not looking for signs of unrest within the military. And the sheer size and complexity of the US military means that a conspiracy involving those of sufficiently high rank could move substantial military assets without raising too many questions.

So the key to a successful coup in the US would be to create expectations. The US has a huge media industry, which uses its own equipment to broadcast its media. Whilst it would at first sight seem like an insurmountable task to take over the media, or shut it all down, a nationwide communications blackout is easier to achieve than it sounds. Several reports, both private and governmental, have pointed out major weaknesses in the US power and utility grids, which were designed in an era before computers

were routinely networked. This makes them extremely vulnerable to cyberattack. So controlling public information will not be too difficult.

A cyberattack could be staged to make it look like it came from a foreign enemy and the narrative of a foreign attack could then provide the pretext for deploying troops on the streets. The National Military Command Center at the Pentagon is where the military's own communications network is centred. Any order to the US's nuclear arsenal or conventional military must pass through here. Located at the heart of the Pentagon, this system operates continuously and its most sensitive parts are manned by small crews; for the system to be not just taken but maintained, those people would need to be supporters of the coup, or at least compliant with it. If the leader of the coup was someone with military legitimacy – the

secretary of defence, say, or the chairman of the joint chiefs of staff – it would not be impossible to arrange this.

So with the US, the key would be to ensure the government is quickly apprehended, symbolic sites are taken over, under the guise of a security issue, then making a broadcast, that the military has taken over, possibly even getting the US president and vice president to come on TV and publicly agree to this.

Once the military has taken over, it will have to contend with a huge US populace, this is a nation that has never had a successful military coup. It also has a population that believes in its right to bear arms, so a successful coup may find the coup easier, then actually ruling over the United States of America.





What the Capitol Hill Enquiry Tells Us

On the 6th of January 2021, following the defeat of then US President Donald Trump in the presidential election, a mob of his supporters attacked the Capitol Building in Washington, DC. The insurrectionists were seeking to keep Trump in power by preventing a joint session of Congress from counting the electoral college votes to formalise the victory of President-elect Joe Biden. More than 2,000 rioters entered the building, many of whom occupied, vandalised and looted. The insurrectionists assaulted Capitol Police officers and attempted to locate lawmakers in order to capture them. The attack has been viewed as an assault on democracy and everything the US stands for. For the first time in US history an assault on the US system took place as many refused to accept their candidate had lost in the general election.

The Joe Biden administration and new members of the Senate established a special hearing Select Committee to Investigate the January 6th 2021 Attack on Capitol Hill. The Committee interviewed over a thousand people and reviewed over a million documents. Some members of Trump's inner circle cooperated with the committee, while others defied it. For refusing to testify, Steve Bannon was sentenced to prison but remains free on appeal. The Committee subpoenaed Trump to testify, identifying him as *"the center of the first and only effort by any US President to overturn an election and obstruct the peaceful transition of power."* In defiance of the Committee's

subpoena, Trump refused to testify and sued the Committee to block the subpoena. The committee published an eight-chapter report on the 21st of December 2022.

What has become clear from all the hearings and testimonies is that Trump and his associates pushed the "Big Lie" that President Joe Biden's 2020 presidential win was illegitimate, based on the narrative that the election was a fraud. Through testimony, the House committee argued all of these efforts happened while many advisers and White House staff around the former president told him and his associates that the election was won, fairly, by Biden.

Trump and his allies led a multifaceted conspiracy to overturn the election. The initial 6th of January hearings presented evidence on how Trump and his allies planned, promoted, and paid for this conspiracy. While the attack on the Capitol took place on the 6th of January, the evidence shows Trump and his allies plotted to overturn the election for months, with a strategy laid out in briefings, memos, and PowerPoints. Rather than honour the election results, Donald Trump launched a conspiracy to remain in power and overturn the electoral result.

Trump and his Make America Great Again (MAGA) allies threatened state election officials who refused to break the law and schemed to replace them with

fake electors. The committee found Trump repeatedly asked the US Department of Justice to launch an investigation into nonexistent election fraud and publicly ran a campaign against Vice President Mike Pence for refusing to sabotage the election results. Trump was told repeatedly that these activities were impossible and illegal; he did them anyway. The committee showed video of former Attorney General William Barr's closed-door deposition, where Barr said that Trump's claims were "bullshit." He confirmed: *"I made it clear that I did not agree with the idea of saying the election was stolen and putting out this stuff, which I told the President was bullshit,"* Barr said in the deposition. Barr announced publicly on the 1st of December 2020, that the Justice Department had not uncovered evidence of widespread voter fraud. His comments enraged Trump, and Barr resigned several weeks later.

In a last attempt to block the peaceful transition of power, Donald Trump summoned a mob to Washington, D.C. He invited his supporters to the White House on the 6th of January while fully aware of their plan to storm the US Capitol. When they marched to the building, many were heavily armed

and under the impression the president would be joining them. The 6th of January insurrection was filled with carnage and chaos. It was a violent attack by those emboldened by white supremacy. All the while, the president sat, watched, and refused to call for help, despite repeated pleas from his top advisers and members of Congress. In fact, testimony revealed he expressed support for the crowd's chants for the vice president to be hanged after Pence upheld the US Constitution.

What the Capitol Hill hearings show is a man who by hook or by crook bent all the rules and expected all around him to execute his intentions to remain in power, irrespective of the 2020 electoral result. Despite making wild claims of electoral fraud, Trump has been unable to present much evidence to this claim and his own advisors explained to Trump he has no case.

It remains to be seen the impact the hearing and the attack will have on US politics, though it does confirm the depth of US political polarisation, which is tearing her apart.





The Battle for the Pacific

On the 29th September 2022 the US unveiled its first-ever strategic document dedicated to the Pacific region during an inaugural Pacific Island summit in Washington. The 16-page US Pacific Partnership Strategy contained several provisions for increased cooperation in a region long seen as neglected by the US. The US-Pacific Islands Summit was attended by US officials of the highest level which included US President Joe Biden, House Speaker Nancy Pelosi and Secretary of State Anthony Blinken, demonstrating the importance of the Pacific region. This agreement was the second of 2022 and comes after President Biden launched the Indo-Pacific Economic Framework in May 2022 with 13 nations of the region that included, Australia, India and Japan.

The agreement and new strategy comes as the US perceives China as a growing threat in the Pacific region. With these agreements the US is looking to reclaim the upper hand as China attempts to expand its access to key resources and forge a more advantageous security environment.

Stepping Stones in the Pacific

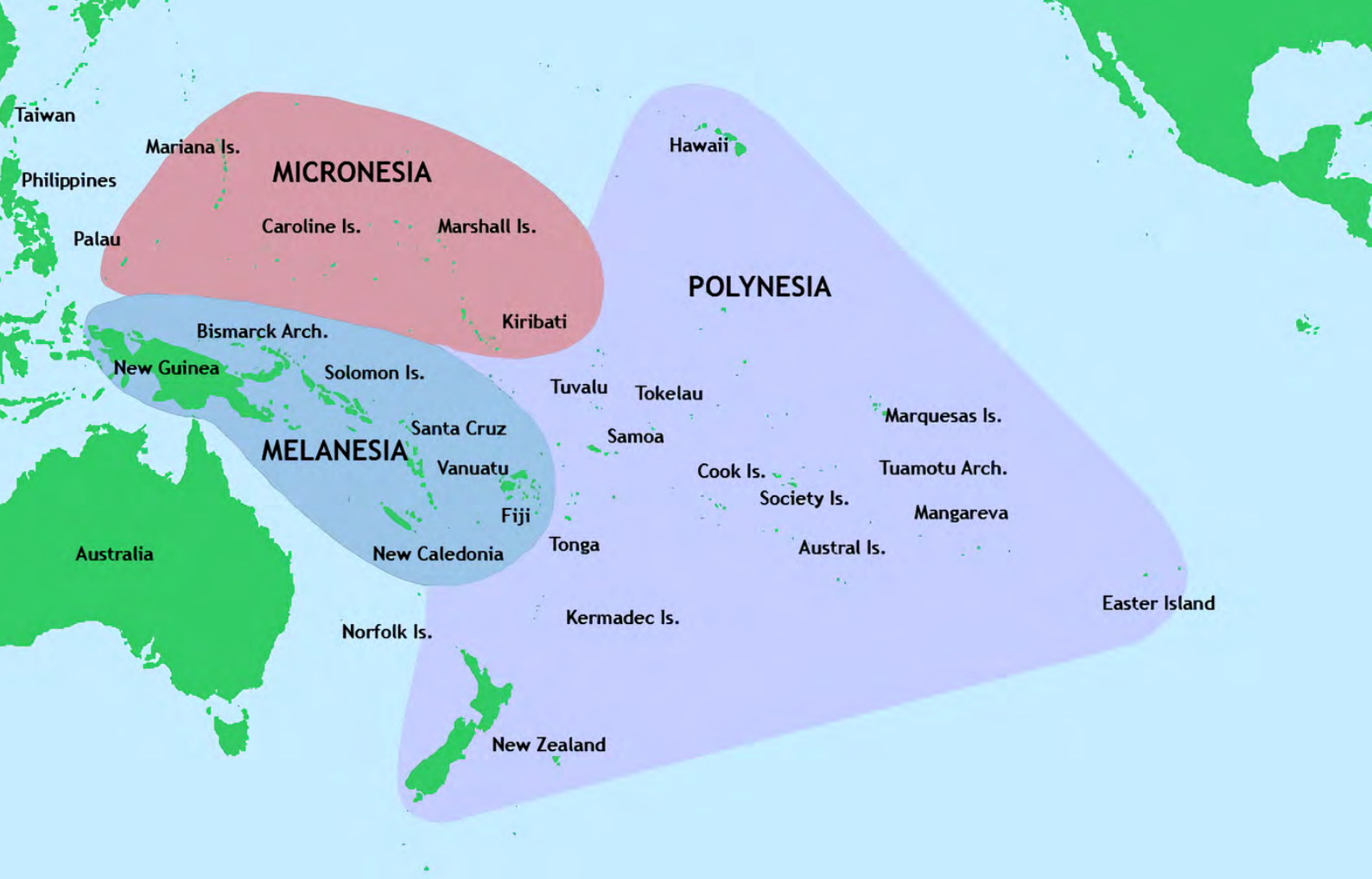
It was after WW2 with the Japanese defeat that the US was able to secure both oceans that surrounded the US continent. With the US preoccupation with the Cold War the Atlantic became the centre for US-Soviet competition and the Pacific didn't feature much action. In the post-war period the Pacific has been relatively quiet for the US. For the US controlling both the Atlantic and the Pacific is central to maintaining its global position as the oceans give

it the protection it needs to freely engage in global issues.

The Pacific Ocean on one side has the Eurasian landmass with Russia and Japan in the north and then Australia and New Zealand in the South. In between them is China and the Philippines as well as the Pacific Islands. The Islands in the Pacific in many ways are in a unique position, these islands are scattered across the Pacific Ocean which is twice the size of the US, but have a combined landmass equivalent to Spain. For the US, these islands are stepping stones that provide the US with forward bases and resupply stations to traverse across the Pacific. But they could also be stations that an enemy could use to get to US shores. This understanding has underpinned US strategy since the 19th century, namely to establish outposts to gain strategic depth, while denying rivals the same.

The Pacific islands consist of three broad subregions: Micronesia, Melanesia and Polynesia. The islands here include the US state of Hawaii, New Zealand, numerous independent countries, as well as territories belonging to the US, New Zealand, France, the UK and Chile.

Micronesia is just north of the equator and next to the Philippine Sea. It is known for its tiny islands that are vulnerable to rising sea levels and a Cold War history of nuclear testing. It encompasses the US-associated Federated States of Micronesia, the Marshall Islands, Kiribati and the Northern Mariana Islands, as well as Saipan, Nauru and Palau.



To the South of Micronesia is the subregion of Melanesia that contains New Guinea, the Solomon Islands, Fiji, Vanuatu and New Caledonia. The largest of the three Pacific island subregions is Polynesia, which covers an area nearly twice as large as the other two combined. Polynesia is home to the US state of Hawaii, Tahiti, New Zealand, Samoa and Easter Island. While Melanesia and Polynesia both have some relatively substantial landmasses, Micronesia consists entirely of tiny islands.

When WW2 ended the US assumed control of the islands in the Micronesian subregion. By 1994, the Marshall Islands, Federated States of Micronesia and Palau became independent countries in free association with the US. Under these Compacts of Free Association, the US provides high levels of aid and defence in exchange for rights to maintain armed forces bases and exclude third-party military access to the islands.

Micronesia and Melanesia both fall right on China's second island chain, the areas China is looking to expand to maintain strategic depth for itself. If China or any US enemy managed to station aircraft in these subregions they would be within striking range of Hawaii.

New Pacific Agreements

The Pacific Partnership Strategy that was signed in September 2022 contained several provisions for increased cooperation in a region long seen as neglected by the US. The agreement outlined America's objectives: a strong US-Pacific Islands partnership, a united region connected to the world, a resilient region against climate change and a prosperous economic region. China is mentioned only once in the context of potential economic coercion. The US will open three new embassies in the Solomon Islands, Kiribati and Tonga, bringing the total number of US embassies in the region from six to nine. The US government will also create a new ambassador's post to the Pacific Islands Forum. As part of the new strategy, the US will invest more than \$810 million in expanded programs to aid Pacific Islands on top of the \$1.5 billion that has been provided over the past decade. The US will also provide law enforcement training through the FBI and the State Department. As part of the new strategy, the US said it will formally recognise the Cook Islands and Niue as sovereign nations.

The summit and the Pacific Partnership Strategy came as China is increasingly vying for influence in the region. China is seeking to expand its access to

key resources and forge a more advantageous security environment. But the success of this agreement will depend on the following through on its commitments. For the US the Pacific islands are all about security concerns whilst for the islands it's all about climate and economic priorities. The US admitted at the Summit for the agreement that it had not paid enough attention to the Pacific Islands and it has a strong track record of maintaining long-term relations with economically less significant regions like the Pacific Islands, except during times of strategic concern. With the US being a global power there is the likelihood this region will not get what the US agreed to in the partnership.

Limits in the Pacific

The Indo-Pacific Economic Framework (IPEF), was launched in June 2022. The US-led effort to counter China and cultivate economic engagement in the region saw India, Vietnam, Indonesia, Thailand, Brunei and the Philippines as well as Japan, South Korea, Australia, New Zealand, Singapore and Malaysia participate in the framework negotiations, which aims to divert trade away from China to the US. This framework attempts to use trade as a framework to integrate the Pacific with the US, rather than with China.

There have been two developments that continue to get in the way of America's economic offerings. The first is China. As the US focused on the war on terror in the Middle East and South Asia for the past two decades the region developed closer economic ties with China, who strengthened ties with many of the region's economic and trade agreements and organisation. Secondly for this framework to succeed into a permanent deal or treaty successive US governments face immense challenges domestically. Free trade agreements are now seen extremely negatively in the US, with an increasingly polarised political environment. Free trade has hollowed out America's industrial base and this is why free trade agreements and globalisation has fallen out of favour with many Americans as many jobs moved to the Pacific leading to a decline in manufacturing, especially in the Midwestern region.

The use of economic frameworks and partnerships to deepen economic ties with other countries is now how the US plans to strengthen ties with other nations. With free trade agreements off the table, the Indo-Pacific Economic Framework for Prosperity (IPEF) as well as the Americas Partnership for Economic Prosperity (APEP) are for now all the US can offer for economic cooperation and to shift the region towards the US and away from China.



The Next Space Race

America's return to the moon took a major leap on the 16th November 2022 when the most powerful space rocket in history, took off for the moon after lifting off from Florida. The Artemis programme marks the start of a new space race to mine the Moon with the US looking to secure a lead in the 21st century space race.

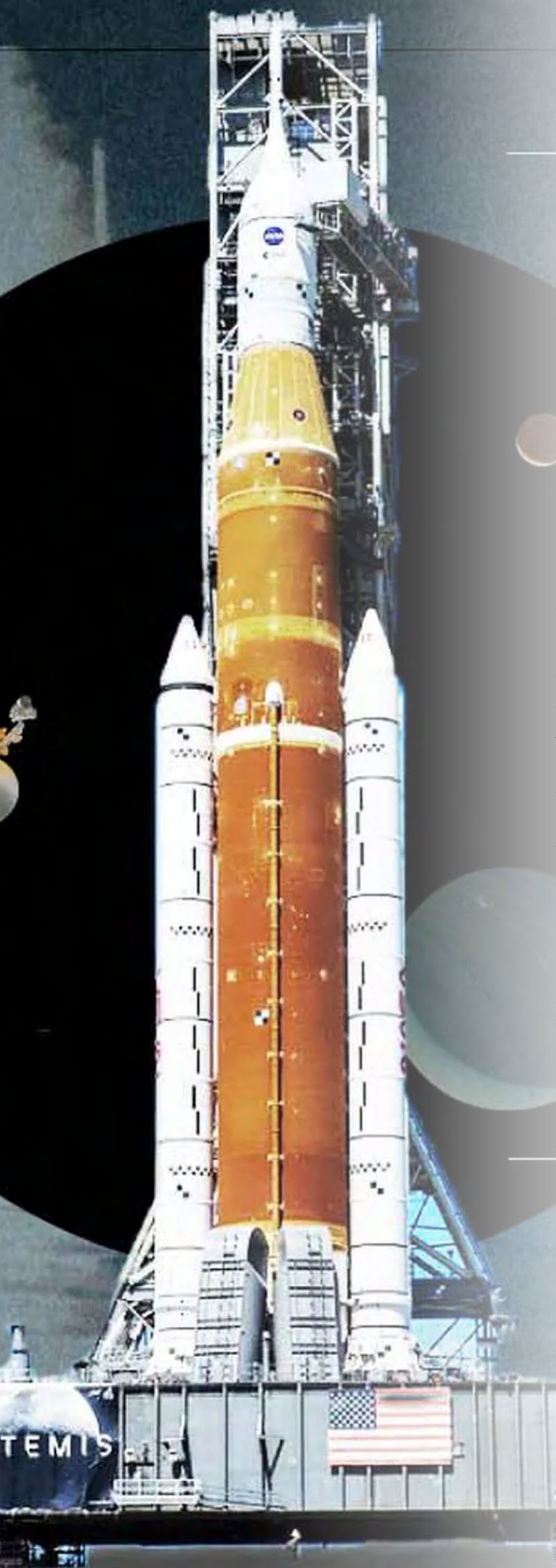
The Artemis program was formally established in 2017 and aimed to launch a manned lunar mission by 2025. NASA's last manned lunar mission was the Apollo 17 mission in 1972. The Artemis program builds on the Apollo program by including a space station orbiting the moon that would service manned missions to the moon and one day missions beyond the moon, such as Mars. Despite the initial delays to the 2022 launch due to technical issues and weather conditions the next space race has now begun.

There are currently five Artemis missions actively being pursued, all of which will be flown using the new Space Launch System (SLS) and Orion spacecraft. Several support missions are also being undertaken with commercial launch providers such as SpaceX. The SLS is a super heavy lift expendable launch vehicle that is even more powerful than the Saturn V launch vehicle that was used in the Apollo program and it, as well as more powerful variants, will launch each of the future Artemis missions. NASA's SLS will be the most powerful vehicle of its kind that has ever been launched into space, though SpaceX's Starship will be more powerful once operational.

The Artemis 1 mission that launched on the 16th November 2022 tested the performance of NASA's new Space Launch System (SLS) and Orion spacecraft in the hopes of certifying their use for future crewed missions. The Artemis 3 is a crewed lunar landing in 2025. The Artemis 4 mission is expected to see docking with the Lunar Gateway in 2027, and future yearly landings on the Moon thereafter.

America's new space programme comes as competition from its rivals increases who are also funding their own lunar missions. Over the last two decades the Chinese Lunar Exploration Program (CLEP) has made advances in exploring the moon with an orbiter, lander and return missions. China is considered to be a decade away from a manned mission to the moon.

Russia has its own lunar programme - Luna-25, which aims to revive Russia's space programme. Russia hasn't been back to the moon since 1976. The Luna-25 has suffered from repeated delays due to funding and technological challenges. China and Russia have teamed up for a robotic mission to an asteroid in 2024. They are coordinating a series of lunar missions intended to build a permanent research base on the south pole of the moon by 2030. The first of those missions, the Luna-25 aims to locate ice that could provide water to future human visits.



South Korea, the European Union, India, Israel, the UAE and Turkey have also all either been involved in lunar missions in recent years or plan to be in the near future.

The Private Space Race

The Cold war and the battle between Capitalism and Communism justified the huge spending on space programmes. When the Soviet Union collapsed in 1991 the Soviet space programme was in disarray and the US government cut NASA's budget. This has seen the rise of private space contractors driving down the price of going to the moon. The commercialisation of space and the reduced costs of robotics as well as other technologies used in spacecraft, landers and orbiters are making once unthinkable projects scientifically feasible.

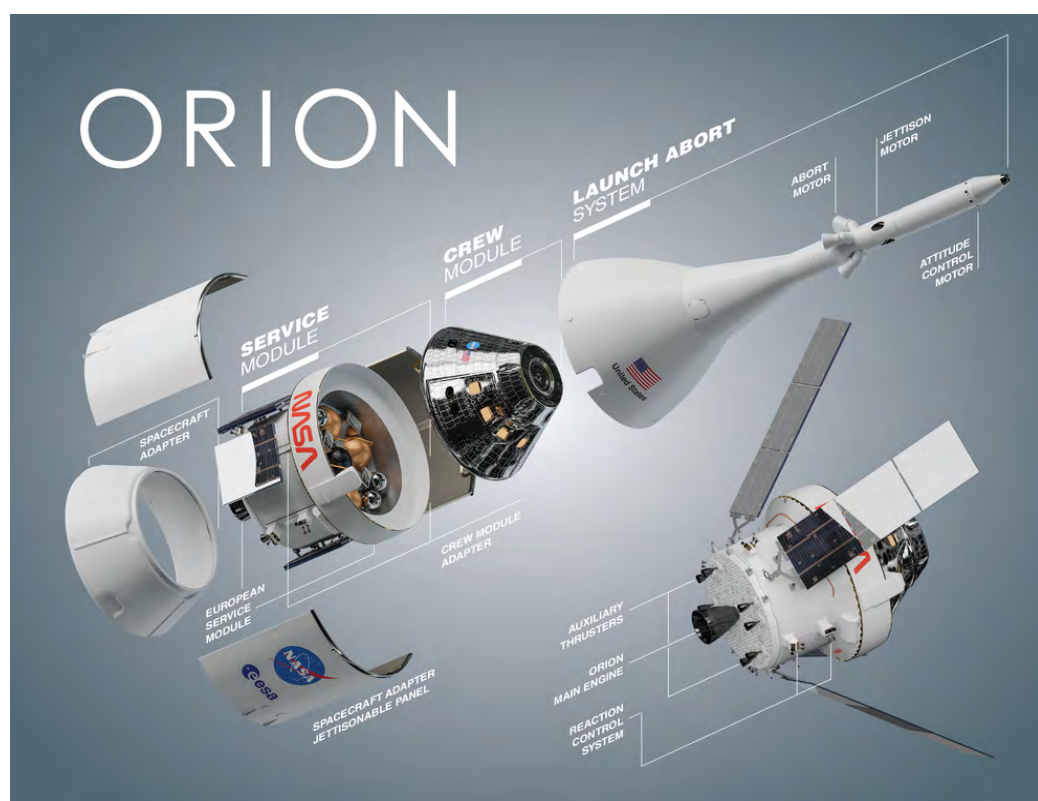
The rise of US based aerospace firm SpaceX and other private launch providers has driven down the cost of access to the market and made it easier for other start-ups to get involved. Private interest in spaceflight has surged, and includes Netherlands-based MarsOne, which hopes to put the first people on Mars, and commercial spaceflight companies Virgin Galactic and Blue Origin.

SpaceX has repeatedly demonstrated that the first stage of launch vehicles can be repeatedly reused, driving down the costs of launches to Earth's orbit on a per-kilogram basis. SpaceX's demonstration has led to China and Russia to develop reusable rockets. Advancements in materials sciences are also making spacecraft lighter. Other technological developments include new robotic technologies that have made spacecraft cheaper and more advanced. As technologies are developed by the commercial sector in partnership with government bodies, this will require new laws and policies around the commercialisation of space.

The US and the national space agencies of 21 other countries have so far signed the Artemis Accords, a legal framework for exploring the moon and developing its resources. Other governments seeking to join NASA's Artemis lunar exploration program, including by participating in the

Gateway space station, must first affirm their commitment to the rules outlined in the Artemis Accords by signing their own bilateral agreement with the US. As the global leader in space exploration and the only country that has sent people to the moon, the US is hoping that by setting the guidelines for how to behave on lunar soil, the Artemis agreements will help ensure that it (and not China or Russia) shapes the norms and standards of future space exploration and resource development. The Artemis Accords represent a significant development of space law and aims to expand on the principles outlined in the 1967 Outer Space Treaty. However, the pact's treatment of space resources and the establishment of "safety zones" has proven to be controversial, with some fearing that it could enable the US and its allies to effectively claim certain areas of the moon.

From a US strategic perspective, Washington is more willing to allow other countries to construct satellites but wants to maintain dominance in actual access to space through the launch capabilities of companies such as SpaceX. The US now recognises that it can no longer effectively restrict access to space. This is simply because launch capabilities are now generally available from several private and government providers. Instead, Washington must pin its strategic interest on maintaining its current advantage as the world's industrial and innovation powerhouse to remain one step ahead of competitors emerging across the globe. This is what the US hopes to achieve with the Artemis programme





Russia



The Battle for Strategic Depth

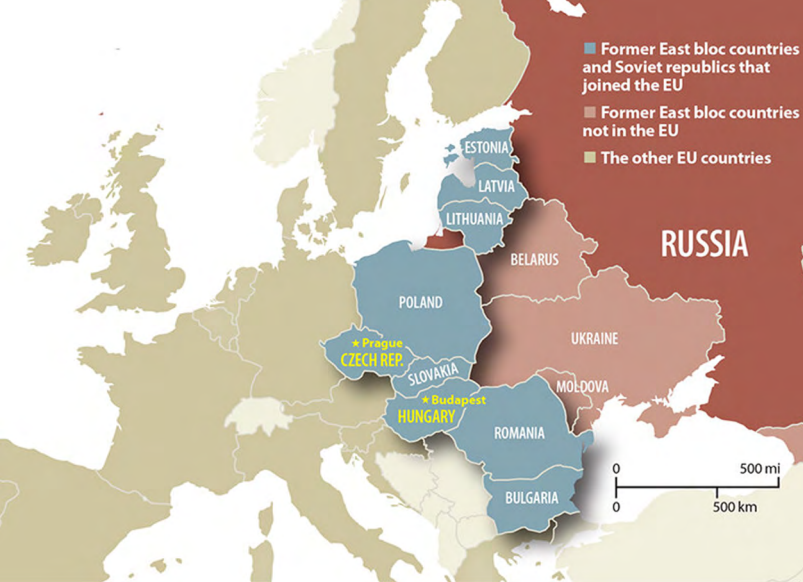
In the early hours of Thursday the 24th of February missile strikes from Russia pummelled their targets across Ukraine. After months of concentrating troops along Ukraine's border, Russia began Europe's latest war. Russian president Vladimir Putin announced in a televised statement the decision to launch a "special military operation" in Ukraine. In his address, Putin said the purpose of the "operation" was to "protect the people" in the Russian-speaking region of Donbas who, *"...for eight years now, have been facing humiliation and genocide perpetrated by the Kyiv regime. As NATO expands to the east, the situation for our country is getting worse and more dangerous every year...NATO has been openly talking about the need to accelerate, speed up the advancement of the Alliance's infrastructure to the borders of Russia... We can no longer just continue to observe what is happening. It would be absolutely irresponsible on our part."*

Ukraine has always been important to Russia. Being located on the Northern European plain and along the Black Sea made Ukraine the traditional invasion route from the West. Ukraine has long played an important role in Russia's defence industry as a supplier of subcomponents. Under the Soviet Union, Ukraine was critical to the manufacture of helicopters, aircraft and ships as well as space hardware and strategic weaponry. Ukraine's mining industry, rocket production, agriculture and hydropower made it the third largest economy in the Soviet Union. There are also

cultural links to Ukraine as this is where the Slavic people originate from. The collapse of the Soviet Union in 1991 didn't change the importance of Ukraine for Russia. Moscow however, watched in horror as one-by-one former Soviet republics joined NATO and the EU. From Moscow its borders under the Soviet Union went all the way to Berlin in Germany, but throughout the 1990's this border shrunk and NATO and the EU was swallowing up all the former Soviet Republics in Central and Eastern Europe. The Orange Revolution in 2004 confirmed for Moscow western intentions of expanding right up to Russia's borders. Ukraine has therefore always been seen as an existential issue for Russia.

The Orange Revolution saw pro-Western factions form the government. But Viktor Yushchenko and Yulia Tymoshenko, both symbols of the Orange Revolution proved inept once in government and were both ousted in the 2010 election as the Pro-Russian Viktor Yanukovich swept to power. He was ousted in 2014 and was the cause of the Orange Revolution. Yanukovich would extend Russia's naval base presence in Sevastopol to 2047 and integrate Ukraine further into Russia's energy infrastructure.

Once again in 2014 protests would oust the pro-Russian leader. The Euromaidan protests started in the end of 2013 when Ukrainian citizens demanded stronger integration with the EU. When Yanukovich abruptly changed his mind on an Association Agree-



dreds of anti-tank Javelin missiles to Ukraine. Even before 2021 the Pentagon 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 the Nagorno-Karabakh war in 2020.

What appears to have rattled Russia was the deployment of US ships and bombers to the Black sea in November 2021. 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 2021, 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 in a statement.¹⁰

It was after this Russia began moving troops towards Ukraine and created an atmosphere of war. Satellite photos from various media outlets showed 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. Ukrainian officials believed, at this point, Russia had deployed 94,000 troops to surround Ukraine.

Russian intelligence was reporting to Putin that Ukraine’s population would support the overthrow of President Zelensky and his government, and the Ukrainian military would not or could not fight. Despite Ukraine’s military receiving US equipment and various exercises with NATO, on paper Ukraine stood little chance against Russia’s military. Most military experts agreed with the Russian intelligence assessments. Military experts shared the widespread

ment with the EU, deciding to strengthen economic ties with Russia instead, this kick started, once again Western interference that would ultimately lead to the ouster of the pro-Russian government. Russia responded by invading and conquering Crimea and recognising and supporting the separatists of the self-declared Donetsk and Luhansk People’s Republics.

For Russia once again the events of Euromaidan confirmed the West’s intent to threaten Russia. Russian officials have for long been accusing the West of expanding NATO to Russia’s borders in order to threaten Russia. Beginning in the 2008 Munich summit Putin outlined in his speech that despite guarantees provided to the last USSR leader Mikhail Gorbachev of not expanding NATO towards Russia, NATO had done so. Russian officials viewed the Orange Revolution in Ukraine in 2004 and the Euromaidan revolution in 2014 as more Western attempts to steal Ukraine from Russia and bring both the EU and NATO borders right up to Russia’s borders. Putin has stated many times that the collapse of the USSR was the greatest geopolitical disaster in the 20th century, it was a humiliation for Russia and continues to be today as the West expands to Russia’s borders.

Putin and the Russian leadership have watched NATO carry out large and extensive military exercises with Ukraine. The regular announcements of Ukraine’s future status within the EU, for Moscow the loss of Ukraine would be existential as Ukraine border is around 250 miles from Moscow.

Prelude to Invasion

The prelude to Russia’s invasion of Ukraine has been in the context of the West’s gradual increase of military equipment and platforms as well as exercises with Ukraine. The US had prior to 2021 sold hun-



expectation that the superior firepower and mobility of Russian forces combined arms operations would quickly overwhelm the Ukrainian military. Even US intelligence from the CIA made similar conclusions. The CIA was so pessimistic about Ukraine's chances that officials told President Joe Biden and other policymakers that the best they could expect was that the remnants of Ukraine's defeated forces would mount an insurgency against the Russian occupiers.¹¹ By the time of the February invasion, the CIA was already planning how to provide covert support for a Ukrainian insurgency following a Russian military victory, the officials said. US intelligence reports at the time predicted that Kyiv would fall quickly, perhaps in a week or two at the most. The predictions spurred the Biden administration to secretly withdraw some key US intelligence assets from Ukraine.

When Russia began its invasion on the 24th February 2022, Putin did not expect to fight a high-intensity war in Ukraine and bet on a quick collapse of the Ukrainian state and military. As a result, No one in Russia believed Ukrainian forces could put up much resistance.

The War Begins

On the morning of the 24th of February 2022 Russia invaded Ukraine with an air and missile attack, using precision-guided munitions (PGMs) against key

targets. These early targets included logistics centres, naval installations, command and control centres, air defences, and critical infrastructure. After the air assault, Russian ground forces attacked from four spearhead incursions: from Crimea in the direction of Kherson, limited incursions from the Donbass, south-east from Russia's Belgorod and Kursk toward Kharkiv and a strong two-pronged thrust toward the capital of Kyiv from Belarus. The Wagner Group mercenaries and Chechen forces reportedly made several attempts to assassinate Volodymyr Zelensky. The Ukrainian government said these efforts were thwarted by anti-war officials in Russia's FSB, who shared intelligence of the plans.¹² The first phase of the war was defined by rapid manoeuvre operations to outflank and seize key objectives.

Ukraine's Capital Kyiv was an initial key Russian military target. Led by elite VDV, spetsnaz, and reconnaissance units, Russian forces advanced along the western side of Kyiv and reached the outskirts of the city within days. In the early hours of the invasion, Russian VDV units conducted a risky air assault to seize the Antonov International Airport in Hostomel, on the outskirts of Kyiv. The attack to seize the airport would allow the rapid introduction of follow-on VDV units to surround and seize the Ukrainian capital. Ukrainian forces, however, responded and repulsed the attack, reportedly causing heavy Russian casualties and shooting down several



helicopters.¹³ The Russian army tried to encircle the capital but Ukrainian forces managed to hold ground and put to effective use Western arms, including Javelin anti-tank missiles and Stinger anti-aircraft missiles, stretching thin Russian supply lines and stalling the offensive. After just two weeks into the war, a large Russian convoy, 40 miles long, had made little progress toward Kyiv. The Russian advances from the north to capture Kyiv had stalled and by the beginning of April, Russia gave up trying to capture Kyiv with troops retreating back to Belarus. The departing soldiers would leave behind their parade uniforms, which were to be worn in the parade that was planned for the celebration of the capture of the Ukrainian capital.¹⁴

Russia made the most progress in the south from occupied Crimea. Russian forces advanced quickly toward Kherson, which they captured on the 2nd of March 2022. Russian forces then turned to the strategic coastal city of Mariupol which they captured in April after a two month siege and after the last Ukrainian forces surrendered. Ukraine's deputy prime minister, Olha Stefanishyna, said *"...more than 85% of the whole town is destroyed."*¹⁵ Russia was most successful in the east of Ukraine, where it had already occupied parts of Donbass since 2014. In the Luhansk Oblast Russian forces pushed into Ukraine's interior and by June the Ukrainian government ordered its forces to withdraw from Severodonetsk after intense fighting. This was the effective capture of the Luhansk Oblast. Russia's position in the Donetsk oblast since 2014 was used to capture the Zapor-

izhzhia Oblast. Russian forces captured the southern portion of the oblast by the end of February 2022. The capture of the city of Enerhodar, home to the Zaporizhzhia Nuclear Power Plant, allowed Russia to link up the Kherson oblast with the Donetsk oblast, giving Russia a land bridge from Russia all the way to Crimea, even without the capital of Zaporizhzhia being captured. In October 2022 Russia would formally annex the oblasts of Luhansk, Donetsk, Zaporizhzhia and Kherson after carrying out a referendum. Whilst this was presented as Russia achieving its goals, the fact that Putin announced a general mobilisation just before the annexation indicated Russia was suffering from much deeper issues in sustaining its invasion of Ukraine.

Approaching the end of 2022, 10 months since Russia's invasion of Ukraine began, the war has clearly not gone according to the assumptions and plans Russia had. The easy victory, wrapped up within weeks has not materialised. The failure to capture the capital of Ukraine forced Russia to adapt and focus on lesser and more limited objectives in Ukraine. Many analysts and intelligence agencies who predicted a swift Russian victory were shocked at Russia's poor performance in its initial invasion of Ukraine and subsequent war effort. Russia's military and political leadership appeared surprised by the military's lack of progress and the level of resistance from Ukrainian forces. What was meant to be a simple and quick war to secure Russia's strategic depth has now turned into a grinding war with comparisons being made with the Soviet invasion of Afghanistan.

Mariupol March 2022



10 Reasons Why Russia's Invasion Plan Failed?

Assumptions can be deadly – We have learnt from the way Russia prosecuted the war that the Kremlin had many assumptions about the war. All armies will have assumptions about their enemy when they go to war. Russia did not expect to fight a high-intensity battle in Ukraine and bet on a quick collapse of the Ukrainian state and military. Russian assumptions went further and included Kiev falling in a matter of days. Russia also assumed Ukrainian president Volodymyr Zelensky was so unpopular the Ukrainian people would not oppose his overthrow. All of these assumptions which seem to have been based on some intelligence and a lot of hubris led Russia to be overconfident and deploy forces based on the best case scenario rather than the worst case scenario. Russia did not make the right preparation for the war due to these assumptions.

When quantity really did matter – Putin deployed nearly 200,000 troops to invade Ukraine. Considering Ukraine is Europe's largest country and has its own army of around 300,000 troops, Russian troops were always going to be outnumbered. Russia's military was designed to fight short, high-intensity wars. Without full national mobilisation, it is too small, its units lack the logistical enablement and its equipment is ill-suited for a protracted war. Putin presented the Russian intervention to the Russian people as a special military operation which didn't need the majority of the Russian armed forces. Russia has a long history of throwing limitless soldiers at the enemy, it served it well in many wars, despite the loss of so many Russian soldiers. The announcement that Russia was mobilising further soldiers in September 2022 means the initial number of soldiers have failed to achieve the military objectives set for them. To make matters worse, soldiers who launched the invasion were not informed when their military training was shifting into Ukraine that they were going to war in the country. They were therefore not psychologically prepared for the war.

Poor State of Soldiers – The performance of Russia's army in Ukraine bears little resemblance to the immaculate fighting force of Red Square parades and Kremlin propaganda. There are numerous videos online that show Russian soldiers split off from their units walking down roads. This lack of discipline is due to many factors, such as lack of training and unit cohesion. But it's also because about a third of the Russian army are conscripts. Conscripts are younger, less motivated and poorly trained but the Kremlin maintains conscription as it believes it remains a civic duty for ordinary citizens. Many analysts were surprised to see so many conscripts in Ukraine as they are forced to join the military, which has a huge impact on their effectiveness.

Lack of Coordination - Russian forces launched an invasion of Ukraine with a "three thrusts" battle strategy. Russia struck from the north from Belarus towards Kyiv, from the south towards Kherson and Odessa and into the Donbas from the east. But there was no coordination between these three forces. There was in fact no integrated battle plan, there were merely three separate theatres of operations. There was no overall commander, but three commanders in charge of each thrust. It took two months for Gen Alexander Dvornikov to be appointed overall commander of Russian forces in Ukraine. When Kremlin officials wanted updates they

would have to contact the commanders in charge on the battlefield front. Up to 27 Russian generals and commanders have died in the war as they were forced to move towards the frontlines to get accurate assessments of the war.¹⁶

Logistical Failures – The most critical area of Russian failure has been in logistics. What will likely become a case study for a very long time was the Russian convoy of vehicles stuck 60 miles long from Belarus down to Kyiv. Trucks, tanks and vehicles ran out of fuel as they got too far ahead of supplies. Logistics are key to any war effort and Russia has a long history of logistical failures and this has borne out again in Ukraine. In effect, Russian troops who conducted the northern thrust into Ukraine, Russian soldiers ran well ahead of their supply lines and this front came to a halt. Had this been any other war they would be sitting ducks and would have all been dead within hours with hit and run attacks or worse, airstrikes.

Intelligence Failures – Russia has built a reputation for hybrid warfare. Its support of right wing groups across Europe has caused instability in many EU nations. In the US the hacking of Democratic Party email servers led many to believe Russia interfered in the US elections and played a key role in getting Donald Trump elected. Russian intelligence is considered to be at the cutting edge of intelligence gathering and this allowed it to take advantage of the populist trends taking place across the world. But Russian intelligence had zero intelligence on the West's response to a Russian invasion of Ukraine as well as Ukrainian capabilities if Russia invaded. Ukraine has shown significant capabilities since Russia invaded, namely due to significant western military support since 2014. It would seem at this critical juncture Russian assumptions superseded intelligence collection, which has proven fatal.

Absent Airforce – Russia's air force has been notably absent in the war. Whilst NATO nations have for long conducted air support missions, Russia does this very differently. Russia's air force is really airborne artillery. Pilots bomb and sight unseen coordinates that ground commanders provide them. Because Russia has always been a ground centric force due to being a landlocked nation Russia has never fully appreciated the use of airpower beyond support to ground forces. As a result, Russia, in all its wars, has never conceived of or run a strategic air campaign. Airpower can be very decisive but it is difficult to wield effectively. Air forces are dependent on an array of technologies that require highly trained personnel who can quickly set up what amounts to an airborne military ecosystem; airborne radar stations, fighters to protect and police the skies, refuelling aircraft to keep everyone full of gas, electronic-warfare planes to keep enemy defences suppressed, and a range of intelligence-gatherers and attack aircraft to locate and destroy enemy forces. These sorts of combined operations involve hundreds of aircraft and thousands of people in a tightly choreographed dance that takes decades to master. But

We have learnt from the way Russia prosecuted the war that the Kremlin had many assumptions about the war. All armies will have assumptions about their enemy when they go to war. Russia did not expect to fight a high-intensity battle in Ukraine and bet on a quick collapse of the Ukrainian state and military. All of these assumptions which seem to have been based on some intelligence and a lot of hubris led Russia to be overconfident and deploy forces based on the best case scenario rather than the worst case scenario. Russia did not make the right preparation for the war due to these assumptions.

when managed correctly, these overlapping operations allow a military to dominate the skies. Russian aircraft are instead left flying their straightforward missions, many of which use single aircraft without the mutual support from combined air operations that would be expected in an advanced NATO air force.

Communication Problems – Despite Russia’s reputation for spying and surveillance Ukraine has continued to intercept Russian communications. Russian soldiers, rather than sticking to secure military communication lines, have been using the local telecom networks and more widely, the local communications infrastructure. The Russians have a modern, secure radio system for the military. But Russia has squandered these advantages and for some reason Russia has used basic, off-the-shelf, unencrypted radio communications in many cases that made it relatively easy for the Ukrainians and others to listen in. Ukraine’s military intelligence has regularly put out audio on social media, some of its intercepts of Russian soldiers communicating. In one particular story a captured Russian soldier states, *“The officers started stationing themselves further and further away from the fighting ... they are out of radio range at this point, and no one can contact them”*. The soldier proceeds to explain that a lack of long-range communications equipment was preventing anyone from contacting the Central Command of the deployed forces. It follows that some Russian soldiers may have resorted to the use of mobile phones to communicate with officers and each other in order to gain some situational awareness.¹⁷

The Challenge of Combined Arms – Russia has fought most of the war without combining different arms of its military, inflicting itself with huge problems. Russia’s first assault on Hostomeles airport was done almost entirely by airborne infantry and helicopters, with no long-range indirect fire and hardly any support from fixed-wing aircraft. As a result, Ukrainian defenders, with the aid of armoured vehicles, fixed-wing aircraft, and helicopter gunships, were able to shoot down some of the helicopters. Had the Russians executed a combined arms attack that, in addition to the helicopter assault, included coordinated long-range missile strikes along with fixed-wing attack aircraft and suppression of enemy air defence operations, they could have successfully captured the airfield with far fewer losses. Much of Russia’s ground attacks have seen Russian forces seize towns with no air support which has led to high rates of casualties. Combined arms operations see the joining of infantry, armour and artillery, different combat arms in mutual support of each other. But on many occasions infantry has gone into battles with no armour or armour (tanks) have been seen encircled in Ukraine without any artillery cover leading to losses in the battlefield.

Air Defence – Russia has failed to dominate Ukrainian airspace. As a result this has allowed Ukrainian UAVs and jets to target Russian columns, degrading morale and exacerbating logistical woes for Russia on the ground. Russia’s February 24th air strikes were largely ineffective in landing an immediate knockout blow. In fact, even today Russia still hasn’t suppressed Ukraine’s air-defences. Russia has been forced to use Iranian-made, explosives-laden drones to bombard Ukrainian cities. Russia’s inability to plan and conduct large, complex aerial strike packages is one of the country’s most significant unforeseen weaknesses during this war. Without the ability to wear down and demoralise Ukraine through airstrikes, Russia is faced with the much more daunting and drawn-out prospect of relying solely on ground forces to grind out its objectives.



War the Russian Way



Many experts expected Russia to roll over Ukraine's military when it invaded back in February 2022. Russia's performance in Chechnya in 1999, Georgia in 2008 and the annexation of Crimea in 2015 are considered examples of Russia's superior military capabilities by many western observers who have long argued that Russia's military capabilities were getting stronger. But Russia's military performance in Ukraine shows the opposite. This is primarily because Russia has been struggling with its military capabilities for decades, ever since its much fated Soviet invasion of Afghanistan in 1979.

The Decline of the Red Army

The Soviet red army was designed for the mobilisation of massive numbers of reservists to conduct deep mechanised theatre operations in the context of a major war. As the US developed intercontinental ballistic missiles and nuclear weapons, Russia also incorporated these weapons systems into its doctrine and posture. The war Russia prepared for was to protect the line that ran from Norway down to Turkey with NATO. NATO prepared for hordes of Russian soldiers and tanks looking to conquer what was left of Western Europe, west of Berlin. By the time the Berlin Wall fell in 1989, Moscow had more than 50,000 main battle tanks deployed west of the Ural Mountains, so many that it is doubtful the Soviet Union could have provided sufficient gasoline to fuel the much-feared invasion of Western Europe.

The Soviet Union firmly believed in "quantity having a quality all its own." Russia favoured quantity over quality and won mainly by overwhelming opponents with hordes of poorly trained soldiers. Quantity, it is

believed, made quality almost irrelevant. As the Soviet Union was in a global struggle with Capitalism it built an army to engage in such a conflict.

In 1979, when the Red Army invaded Afghanistan, it was already overstretched and the Soviet economy was in decline. The Soviets believed by occupying Afghanistan's urban centres it could control the country. It realised too late that they were not fighting a conventional army, something the Red Army was designed for, but unconventional forces with no centre of gravity who made use of Afghanistan's mountainous terrain to strike Soviet supply lines. After 6 years of war the Red Army was bleeding to death in an insurgency. When Gorbachev came to power in 1985 he calculated that the war had become a stalemate and was no longer worth the high price in men, money and international prestige. With the Soviet Union in decline, economic challenges grew and the last Red Army soldier left Afghanistan in 1989. Two years later the USSR collapsed.

The decline of the Russian military during the 1990s was regarded as a natural consequence of the fall of the Soviet Union, a crippled Russian economy and a political leadership in crisis. Many of Russia's military assets were allowed to fall into disrepair; while the modernisation of capabilities, or attempts at reform, were minimal. Of what military industry remained in Russia, inefficiency and corruption were rife and it suffered from over-capacity and a lack of research and development investment in advanced weapons systems. The result was a military-industrial complex incapable, with the exception of some niche areas such as air defence missile systems, to keep pace with the technological change taking place. Russia's new

military faced dramatic budgetary, readiness, and personnel shortfalls, as well as uncertainty of its role as Moscow struggled to determine its place in the post-Cold War world.

Failed Reforms and the Chechen War

Russian military units lacked funding and fuel to train and exercise, and pay was often months in arrears. The readiness of the force was minimal, and the popular image of the Russian military of the 1990s remains ships rusting at pier side, pilots unable to fly, and Russian officers moonlighting with second jobs to make ends meet.

Throughout the 1990s and the noughties many military reforms were attempted by Moscow. Russia's first Minister of Defense, General Pavel Grachev, (1992–1996) posited the creation of a fully manned and equipped small mobile force that could rapidly move to a conflict area and hold the line until additional forces mobilised. Minister of Defense Igor Sergeyev (1997–2001) created a new strategic nuclear deterrence force based on his previous service, the Strategic Rocket Forces and Minister of Defense

Sergey Ivanov (2001–2007) and Chief of the General Staff Yuriy Baluyevsky (2004–2008) pushed for the establishment of new regional theatre commands and filling the military's ranks with professional "contract" personnel. By the late 2000s all these reform plans remained largely unimplemented, unsuccessful, or were abandoned.

It was in this context the Chechen war began.

Chechnya declared independence in 1991 and Moscow feared other ethnic minorities within the Russian Federation would attempt to secede as well. In 1994, with much of Russia in disarray, Moscow went to war with the breakaway region of Chechnya. After two years of war and numerous failings and fallen soldiers Russia was forced to sign the Khasavyurt accords, ending the hostilities. The Chechens had fought Russia to a standstill. Russia's military was undermanned and poorly trained and struggled to take and secure the breakaway Chechen Republic. When Russia under Putin retook Grozny in 2000 it was due to Moscow's exploitation of Chechnya's internal divisions that gave it victory in the second Chechen war, rather than defeating the insurgency on the battlefield.

War in the Caucasus

Despite modest improvements and a measure of success in the second Chechen conflict, the Russian military still entered the first decade of the 21st century with a Soviet era mobilisation force structure almost completely equipped with outdated Soviet-era equipment. Shortfalls in modern command, control, communications, computers, and intelligence, surveillance, and reconnaissance (C4ISR) equipment and capabilities were particularly notable. It was in this context the war in Georgia took place in 2008.

The war was given significant Western coverage and was seen as a major Russian victory and confirmed for many that Russia had overcome the problems of the Post-Soviet era. Many western intelligence agencies began seeing Russia as a serious military power that should be taken seriously. But within Russia the war was viewed very differently and Russia's performance in the battle explained little about Russia's overall capabilities as it only lasted 5 days.

The Georgian war was a very limited operation because Russian military officials realised a lot of their equipment did not physically work, especially on the communication side, which was critical for modern warfare. Russia performed so badly to the point soldiers were forced to use telephones in Georgia to communicate with their units back in Russia. The war made clear that Russia's military had all kinds of shortcomings in equipment, training, battlefield coordination, and intelligence. Air and artillery strikes missed their targets and several aircraft were lost to Georgian air defences. Although Russia won the war, it was not due to Russian military superiority but be-



cause Georgia was using very old Soviet equipment and ultimately through the sheer force of numbers that Russia eventually won.

Russia's Syrian Intervention

Russia's intervention in Syria saw many around the world designate Russia as a superpower. The intervention in the Middle East, the resupply of troops and the saving of the Bashar al-Assad regime definitely afforded Russia global credibility. But Russia's Syrian intervention was really a small to medium operation for Russia. At most Russia had 5,000 troops in Syria and the sole purpose of the Russian forces was to carry out air attacks across Syria. Russia did not deploy its ground forces. Russia fought a war far from home, it sustained operations, and it resupplied its troops. The US, despite all its rhetoric, didn't carry out attacks against Russian forces and as the rebel groups lacked any air power Russia's presence was never under threat. Russia's Syrian intervention is therefore not a good example of Russia's military capabilities and proves little in terms of its capabilities as it was a unique and limited intervention. In the case of Syria, Russia was fighting civilians as well as militias. They were not fighting a peer competitor where a lot of their logistics would have been exposed

The Conquest of Crimea and Donbass

Whilst Russia annexed Crimea in 2014, an intervention which gained Russia a lot of military credibility, there are some large caveats to this victory. Russia already had a military presence in Crimea prior to its invasion. Russia not only had forces in place at its Black Sea Fleet, but legitimate transit arrangements that were leveraged for a covert operation and the introduction of key military capabilities. Russia had just over 18,000 troops already in Crimea. This force included 41 tanks, 160 infantry fighting vehicles, 47 artillery systems, and heavy mortars. So, Russia already had significant military capability on the peninsula. Prior to the operation, thousands of extra soldiers were quietly sent into the bases which Russia was permitted by treaty to own in Crimea. Moscow deployed elite and special components of its forces that are not representative of its overall capabilities. Additionally, Ukraine's overall superior forces on the peninsula offered no resistance due to what was taking place in Ukraine at the time.

Crimea really stands as a singular operation against

a particular target and at a distinct time of opportunity when Ukraine was vulnerable. We can infer a good deal about mobility, logistics, and the speed with which national decision-making results in use of force, but this operation told us little about the warfighting ability of Russia's armed forces against a conventional opponent and what lessons, if any, can be extrapolated to other conflicts. Russia had advantages in Crimea before its invasion began, so it leveraged these and didn't need to worry about Ukrainian forces getting in the way. Its main advantage was the fact that it already had a military presence in Crimea, troops and military platforms.

Similar to Crimea, the war which took place in Donbass from 2014 had unique circumstances. Eastern Ukraine already had separatist tendencies. It was critical of the Ukraine government in Kiev and the separatists already were being trained and armed by Russia. So when these areas became independent from Kiev, Russia supported them; they were already separatist areas. Russia didn't need to send in large forces to go and occupy land and resupply troops. Russia had some troops in Donbass at the time of the war, but most of the work was done by mercenaries and separatists that were already in that region.

Russia inherited a bloated, outdated and massive military from the Soviet Union. The 1990s saw Russia in disarray as the nation fell apart, politically, socially and economically. Russian leaders couldn't pay sol-



diers or replace ageing Soviet weapons systems and as a result much of Russia's military fell into disrepair. Russia was in no place to go to war in the 1990s and that's why for a decade Chechen rebels fought Russia to a stalemate. It was Russia's divide and rule tactics, rather than its military that gave it victory in Chechnya in 2000. Ever since, Russia has been very selective in the conflicts it's got involved in, in order to not expose the true state of Russia's military. At the same time it projected very well new weapons prototypes and next generation weapons systems to build an im-

age of military superiority. It did this even though the ability of its defence industry to mass produce those capabilities have been severely lacking. The wars in Georgia, Crimea and the Donbas did not require Russia to carry out large conventional warfare. The invasion of Ukraine in 2022 is Russia's first real conventional war for decades and it started really poorly. But Russian history shows us, she always starts wars poorly, then throws lots of poorly trained troops at the enemy and wins wars in a very ugly manner. This was how the Red Army defeated the Nazis in WW2.



5 Things We have Learnt about Russia



The narrative has long been that Russia is a global power and it is returning to the position it once held. With its alliance with China she is trying to overthrow the global liberal order. The Ukraine war is a good time to assess such claims.

The best way to test any nation's capabilities is to assess them when they are required to project power. Similarly, the best test of a nation's alliances is to see what happens in its moment of need. This is the situation Russia finds itself in as it tries to grind out a military victory in Ukraine. The narrative has long been that Russia is a global power, it is returning to the position it once held. With its alliance with China she is trying to overthrow the global liberal order. Along with its modernising military Russia can project military force globally and has its eyes on expanding into Europe. However, the Ukraine war and the subsequent economic, political and military fallout shows this narrative needs to be reassessed.

China: The Absent Partner

The Sino-Russian axis has for long been seen as the only bloc that can challenge US global supremacy. Whilst China and Russia have had a difficult history their relations have grown and deepened since the collapse of the Soviet Union. China's miraculous development since 1979 and Russia's resurgence since Putin became the leader in Moscow has seen both propose and push for alternatives to the US led global order. But all of this was all thrown into doubt when China abstained from voting at the UN security council resolution condemning Russia for invading Ukraine. China even criticised Russia and

told Moscow to stop attacking Ukraine and withdraw all troops immediately.

The Sino-Russian relationship is really a partnership rather than an alliance. Both nations, despite their rhetoric, are not prepared to go to war for each other based on some shared beliefs. Their beliefs are also their biggest area of divergence. Whilst both agree the US is a problem and poses a threat to both nations' interests, Russia and China have very different visions for the world they would like to see. China sees Eurasia as a continent that is criss-crossed with economic corridors and trade routes from the Atlantic to the Pacific. China also wants to use the continent as its main export market that circumvents the global sea lane of communications (SLOC), which is dominated by the US.

Russia on the other hand has a vision for Eurasia which is at complete odds with China's vision. Russia sees the borderlands adjacent to her in Europe as its sphere of influence, with Russia having exclusive control and power in these territories. The ultimate goals in the Sino-Russian axis are divergent and clash, despite all the rhetoric. This is why China not only criticised Russia, but it also took a cautious stance, fearing what could happen if it backed Russia openly. China may criticise the West and what they stand for, but China depends on the same West as it's the main export market for its economy.

Regional Power, not Global Power

Russia today has commercial ties with Venezuela and Vietnam. It has defence ties with Egypt and Angola.

From Syria to Libya we have seen Russia intervene in conflicts projecting an image of a global power. Russia today is not the Soviet Union on a global mission to foment revolution and establish communism. The Russia of today has no values, ideology or global message for the world to subscribe to. Russia's message to the world is limited to the world respecting Russia and viewing it as a power. This nationalistic fever has gained little traction beyond the Slavic people. Russia can only count some of the former Soviet republics as allies, who, out of compulsion rather than shared interests, side with Moscow. North Korea along with Eritrea, Syria and Belarus do not compose a political bloc which poses a threat to the global liberal order. However, China and Russia, on paper, pose a future bloc that could challenge key tenets of the global system. That said, both have failed to present an alternative world order for the world to subscribe to. They continue to act as spoilers to the US and criticise the order the US established, but beyond this there has been little concrete action.

The most glaring shortcoming of Russia is its failure to attract Ukraine to Russia's orbit. After decades of influence over its neighbour, Ukraine is closer to the West than ever before and with its invasion it has likely lost much of the hearts and minds of Ukraine's population forever. Russia's problem is, unlike its Soviet predecessor, it has nothing to offer the Ukrainian people. Being a neighbour to Russia and within its sphere of influence is not a future that the large bulk of the Ukrainian people aspire to. Rather than winning the people of Ukraine to its regional view, Russia has been forced to use force. The failure to attract its neighbour who it shares a 1400 mile border with is indicative of Russia's lack of influence.



New Wars, Old Problems

The first week of the Russian invasion of Ukraine has revealed, once again, Russia's glaring military problems. Russia has struggled with logistics and supplying its troops. This resulted in a stalled front and the 60 mile static convoy outside the Ukraine capital, Kiev. Previously, Russian officials had done a good job at projecting the nation's military as a power to be feared. The Red Army of the past with its numerous tanks, nuclear weapons and missiles sowed fear across the world. But Russia's military has been struggling to modernise ever since the Soviet Union collapsed.

The economic collapse of Russia during the 1990's meant much of its equipment was not maintained and most of it will never be usable again. The cost of replacing so many vehicles, jets and weapons systems is prohibitively expensive and that's why Russian military modernisation continually stalls. This is why Russia in the 21st century and until its invasion of Ukraine, has carefully chosen the conflicts it gets involved in and in all of these it projected its interventions well beyond what it actually did.

All of this has now been exposed in Ukraine where no amount of futuristic weapons can fix the basic task of invasion warfare. Whilst Russia has not lost the war in Ukraine, it now faces the grinding task of increasing troops and weapons systems and supplying them and restructuring the tedious, but absolutely necessary logistics administration. These are not signs of a global military power but a military with numerous challenges that still need to be worked out and overcome.

Uniting a Divided Europe

Russia has been invaded from Europe every century for the last 600 years. In the last 200 years Russia has been invaded, on average every 33 years. Russia's expansive lands, resources and breadbasket has for long attracted European invaders. This is why Russia has for long looked to push its borders into Europe in order to create a buffer zone. During the Soviet Union, Moscow was a thousand miles from Berlin in Germany, which was the border of the Soviet Union. In 1991, Russia's European border shrank to just 300 miles from Moscow.

Once Vladimir Putin and the security class took power in Russia, energy became a key tool for Russia

which it used to divide Europe. Russia was able to contain anti-Russian sentiment in Europe by using its relations with those European nations that came to depend on Russia's energy. Countries such as Germany actively encouraged this relationship, believing that closer economic relations would contain Russian ambitions.

“Russia may believe it is a global power and should be treated as one, but the truth is it’s a regional power, trying to secure its borderlands, which it’s struggling to do. Its sole tool is its energy resources, which have now been effectively sanctioned, which in the medium to long term may no longer play the key role it has historically played. Without any real allies and an alliance system Russia has achieved much with a weak hand, but the future is already moving against it.”

But all of this changed with Russia's invasion of Ukraine. Europe is now united with the US against Russia as it crossed a red line by invading Ukraine. Even Germany, who was dragging its feet about sanctions on Russia, is united now in condemning Russian aggression. In one act Russia united a divided Europe. Russia has also kick started Germany's rearmament, after decades of restraint by Berlin. This is not a good sign as it was German rearmament in the 20th century that led to two world wars and two invasions of Russia.

Shouting Louder than you're Capable

Russia has for the last two decades been shouting louder than its capable and projecting an image of strength with a hollow military and economy. However the conflict in Ukraine has left Russia cornered by the other powers and will find it difficult to go back to the way things were prior to its invasion. Some may believe Russia can bounce back, as it has done so in the past, but there are many trends going against Russia which makes this very unlikely.

Russia's population is in decline and will continue to do so with a declining fertility rate. A nation's demographics affect everything from how large one's army can be to tax revenues to the size of the economy. On the economic front Russia's economy still depends on the global price of energy and metals and the Kremlin has failed to develop other industries with this surplus wealth. With sanctions now placed on Russia, relying on energy is now a liability rather than an asset. Despite possessing ample reserves, Russia failed to build a modern economy but instead focused on prolonging its energy reliance.

On the energy front, Russia will also soon be facing significant challenges. Russia's primary oil-producing region, the Western Oil Basin, is in decline, having produced 60% of Russia's overall oil production for decades. In the mid-2000s, the West Siberian conventional fields revitalised the Russian economy, but today, many of these fields have since plateaued or begun to decline. Russia now needs to turn to new basins and regions to keep current production levels going. New fields will need to be found and developed. Russia is now being forced to explore unconventional energy sources which are situated in hard to recover areas in the Caspian, Black and White sea regions, as well as deep drilling in the Arctic and East Siberian fields. Russia now faces an array of unsatisfying options when it comes to the future of energy.

Russia may believe it is a global power and should be treated as one, but the truth is it's a regional power, trying to secure its borderlands, which it's struggling to do. Its sole tool is its energy resources, which have now been effectively sanctioned, which in the medium to long term may no longer play the key role it has historically played. Without any real allies and an alliance system Russia has achieved much with a weak hand, but the future is already moving against it.



Securing the Eastern Frontier

Russia issued a set of demands to NATO to reset its frontier in what appears to have been done prior to making the decision to invade Ukraine. Whilst Russia's historic focus has always been its Western European border, developments are rapidly taking place on its Pacific border which for Moscow currently remains largely unaddressed. The US has made it clear, especially in its October 2022 National Security Strategy, that the Pacific region is its area of focus for the foreseeable future due to the rise of China. Russia also has a long border with the Pacific and it will have to pay attention to developments there.

Russia emerged as a nation in the 9th century around Moscow and it slowly expanded to increase its territory. Sitting along the Northern European Plains meant Moscow had no natural barriers to provide strategic depth. The Russian people expanded north and south and eventually east until they reached the Urals. Whilst the Urals provided some defence Russia was still vulnerable to the south of the Urals great plains sweeping south around the mountains. This left Russia historically vulnerable to invasion from the Eurasian heartland and this was the route the Mongols took to invade Moscow. Moscow eventually expanded all the way to the Pacific. But as this is a vast territory subsequent Russian empires have sought to secure through direct or indirect control.

For most of Russia's history its focus has been on its border with Europe as that's where most of its threats have emerged. It is also where most of the Russian population lives. The eastern regions of Russia, by contrast, are sparsely populated, but in the Far East Russia comes up against Japan, the Koreas and China. The realities of eastern Russia's climate, a region

frozen for most of the year, and infrastructure limitations has resulted in Russia paying less attention to this region. But things are changing now. Thawing ice due to increasing temperatures is now opening new areas of the Russian Arctic, Siberia and the Far East. With the rise of China and US interest in maintaining control over the Pacific, Russia will need to secure its rapidly changing Eastern Frontier.

Pivot to Asia

The US and China's strategic competition and Ukraine has forced Russia to focus on its Pacific frontier. Russia has been looking to focus on its Pacific frontier ever since the collapse of the Soviet Union and Moscow hoped it could reshape the Russian economic model by developing its eastern regions. After the global economic crisis Moscow hoped it could attract foreign investment into new technologies into its eastern regions. But the Ukraine conflict from 2014, the annexation of Crimea and the downing of the Malaysia Airlines flight ended any chance of building economic ties and securing foreign investment for Russia's eastern regions. Russia has succeeded in receiving foreign investment from Asia but this has been mainly in raw materials and military sales with little investment in manufacturing or technology transfers.

Russia's major achievement in its East has been its ties with China. Expanding military ties with China served both as a counter to increasing US activities and as a way to limit any sense of strategic competition with China. Whilst the US sees a rising Japan as a counterweight to China, this is both a positive and negative thing for Moscow. Japan is looking to

mitigate China's military rise in the Pacific, but at the same time that capability could be used against Russia too, as has been the case in the past.

The China Challenge

China has been central to Russia's eastward focus, due not only to common interests but China's regional economic and military heft. China was for long a major importer of Russian arms, although this is changing as China now manufactures its own platforms and systems. China and Russian cooperation after 1991 began in Shanghai, with the Shanghai Cooperation Organization (SCO). This laid the framework for joint and multilateral counterterrorism and military exercises. In 2012, Russia and China started annual joint naval exercises, beginning first in North-east Asia before expanding to the Mediterranean and Baltic Seas.

Beyond the military cooperation, Russia has relied on China for key investment in its Arctic oil and gas production and ports, and Moscow has acquiesced to growing Chinese involvement in Central Asia through Beijing's Belt and Road Initiative (BRI). China's BRI provides economic and infrastructure aid and development to Central Asian nations, something Russia cannot afford to offer. For Moscow, this initiative is both a benefit and a potential risk. A stable and economically active Central Asia reduces the risk of instability along Russia's long southern frontier and provides new routes for economic exchange between Russia and south Asia. But it also shifts influence in the region away from Moscow and orients it towards China. Russia has worked to keep Central Asia on Russian rail gauge, quietly blocking Chinese

attempts to shift the region to standard gauge. Moscow launched its Eurasian Economic Union a year after China launched the BRI.

Russia has tried to adapt a Pacific policy to balance its dependence on China, but Moscow has limited tools compared with China and the US. Without Chinese money and America's military capabilities, Moscow has attempted to position itself as an alternative third party to help regional countries balance growing US-China tensions. This probably explains why Russia has not directly supported Chinese maritime territorial claims in the South China Sea. For Moscow, a multipolar region suits it as it's the alternative option within the region in the US-China strategic competition context.

Challenges Ahead

Russia lacks the resources to be a major player in the Pacific. Whilst Russia can play a spoiling role to disrupt Chinese and US aims, it cannot shape the region to its own interests. The best Moscow can hope for is to remain a valued third partner that can promise countries like India and Vietnam strategic autonomy in the midst of growing US-China strategic competition. With tensions continuing on its European border and the US withdrawal from Afghanistan creating challenges on its Southern borders, Russia's resources will be stretched to deal with its Pacific region which is shaping up to be the ultimate region for great power competition. As Russia is currently busy with its European border, its eastern border will only grow in importance and Russia wants to ensure it is not left out in the Cold.





China

A Decade of Xi



Chinese premier Xi Jinping celebrated his 10th year as Chinese premier as the 20th National Congress kicked off in October 2022. After a decade under the rule of Xi Jinping, there has been extraordinary change in China. Over his 10 years as leader, Xi has tightened his personal grip on the Communist party, and the party's grip on the country. He has weeded out rivals and enemies through anti-corruption purges, and cracked down on grassroots dissent by tightening censorship and surveillance. There were few surprises at the 20th National Congress of the Chinese Communist Party (CCP). The once every five years gathering of party delegates listen to a work report as they represent over 90 million members of the CCP.

Xi Jinping was approved as the premier for the next 5 years by the party faithful. Xi has now been in power for a decade and during this period, China's list of challenges has also grown. In 2012 when Xi was made politburo head he inherited a raft of challenges from developing demographics, growing inequality and pollution. During his decade in power America launched a trade war with China, there was the COVID-19 pandemic, troubles in Hong Kong and Taiwan and problems with China's economic model.

Xi's decade in power can be best described as getting rid of all opposition and making himself supreme emperor of China. He began with the military with retired Vice Chairman Xu Caihou and former PLA General Guo Boxiong, who were accused of corruption and charges were brought against them. This

sent a powerful signal to serving military officers that anyone that resists Xi's control is not immune from harm. In 2015, Xi overhauled the structure of the military. He abolished the four military headquarters, staff, politics, logistics and armaments, and replaced them with 15 smaller agencies. The new structure allowed the Central Military Commission (CMC), which Xi leads to issue orders directly to the various branches of the military, extending as far as even financial auditors. This made it impossible for senior military leaders to build loyalty for themselves who might someday oppose Xi.

Xi Jinping's signature anti-corruption campaign was used to remove his political rivals and other factions within the party. In the past decade, more than 4.7 million people have been investigated by anti-corruption authorities. In just the last two years, Xi further purged career security officials who supported his rise to power. Now the security agencies are run almost exclusively by officials who shared a past history with Xi and who are trusted by him.

In 2018 Xi Jinping's *"Thought on Socialism with Chinese Characteristics for a New Era"* was enshrined in China's constitution. Having an ideology named after you has cemented Xi's legacy. Before Xi, only Chairman Mao achieved this. Whilst it's debatable what exactly Xi Jinping's "Thought" means, it didn't matter, it was a power move. Xi's thought is aimed primarily at strengthening Xi's own legitimacy and power above anyone else in the CCP and the country.

Economic Troubles

In late 2013, Xi Jinping as the new premier, unveiled a programme of reforms aimed at rebalancing the world's second-biggest economy. Under its 60 point reform plan Xi's new administration promised to get rid of obstacles that had been holding back consumer-led growth in China, including enforcing a property tax, granting more land rights to farmers and migrant workers, and opening state-controlled sectors to private capital. Many believed if implemented, China could maintain 7% annual growth for at least the decade to come and make the transition into the category of high-income nations. But a decade on, many of those promises remain unfulfilled. At the same time, the Chinese economy faces diminishing returns after relying for years on growth that has been propelled by a debt-fuelled real estate investment boom.

“Xi, after a decade in power, has a mixed report card. Many of Chinese strategic challenges have not been resolved and they are growing in scope and depth. up his position and manning control over all aspects of China's society.”

China has long relied on an economic model that was driven by large government investment, increasing manufacturing output and then exporting this abroad. The global economic crisis in 2008 and subsequent fall in imports from the West forced the CCP to stimulate the economy, this would lead to a huge real estate bubble and the emergence of ghost towns.¹⁸ Under Xi, China's economy has continued to grow, growing 100% in the last decade but Xi has reasserted state control over the economy, initiating heavy-handed and widespread crackdowns on private industry. China is now cracking down upon large online platform companies (especially online tutoring) and on real estate developers, arguably the two business sectors responsible for the biggest portion of the country's economic growth over the past decade. Though authorities justified the clampdown on technology companies by accusing them of anti competitive behaviour, bad working conditions, and data security and privacy breaches, the intervention was primarily the result of Xi's obsession with control.

Under Xi Progress is being made in making China self-sufficient in key technology sectors, but Xi has

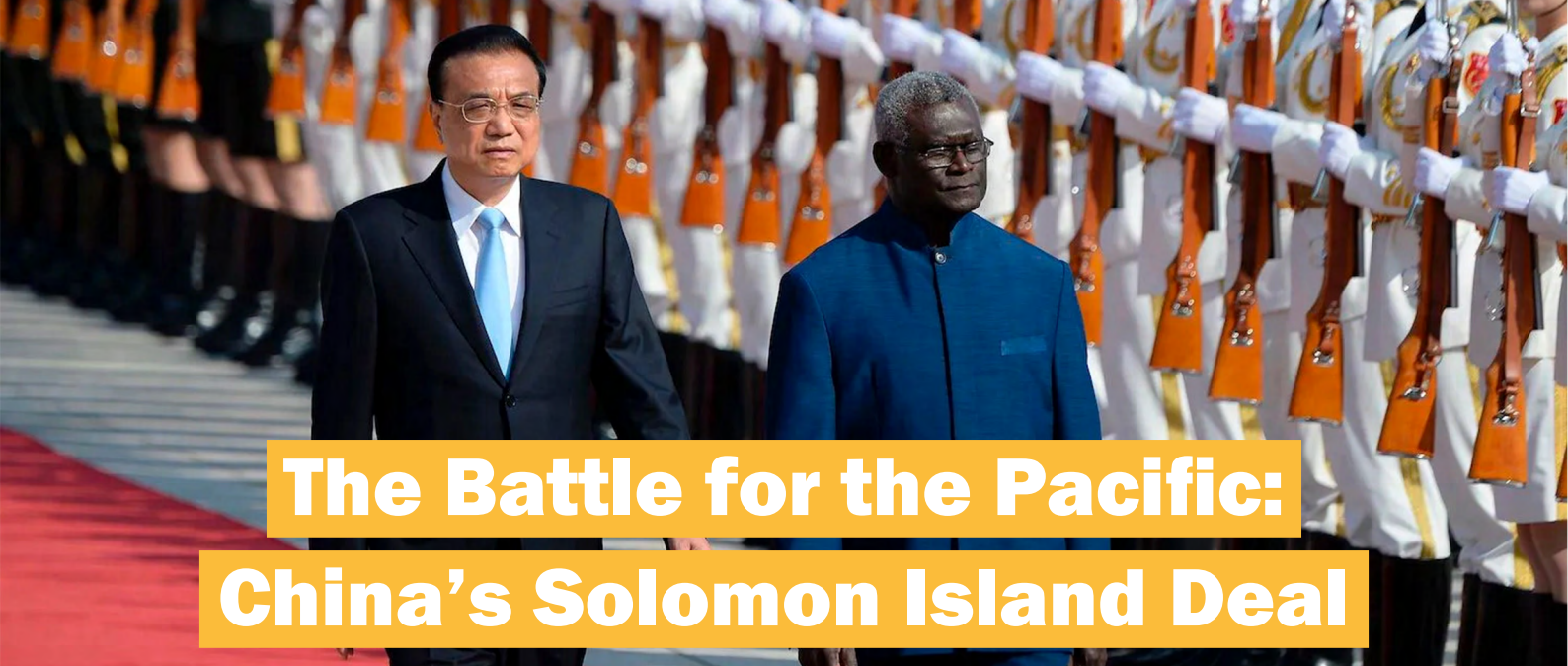
failed to deal with the US trade war. Matters took a turn for the worse on the 7th of October 2022 when US president Joe Biden launched a package of unprecedented bans on Chip and Chip equipment sales to China. It was Donald Trump who launched the trade war back in 2018 by setting tariffs and other trade barriers on China with the goal of forcing China to make changes to what the US said are unfair trade practices and intellectual property theft. In response the Chinese government accused the Trump administration of engaging in nationalist protectionism and took retaliatory action in early 2020. Both sides reached a phase one agreement; it expired in December 2021 with China failing by a wide margin to purchase American goods and services as agreed.

Whilst the trade war was a failure as it did not increase manufacturing jobs in the US or deal with the core issues that the US has with China, the trade war has had a major impact on the Chinese economy as the US is its number one market.

Demographic Problems

For more than 100 years, Chinese leaders have worried about the difficulties of ensuring health and prosperity for the country's huge population. The CCP's solution was strict limits on births, sometimes accomplished through forced abortions and sterilisations. The restrictions did limit China's population growth but created other problems, including a gender imbalance from selective abortions and now an aging population. In 2016, the Chinese government scrapped its decades-long one child policy, allowing all couples to have two children. When that didn't boost the birth rate, authorities further relaxed the policy to allow three births per couple. But these efforts have yielded little result, with couples increasingly disillusioned about the skyrocketing costs of raising a child. Xi proposed new incentives in August 2022 for Chinese couples to have more children, including health education, psychological counselling and assisted reproductive technology. It's unlikely these measures will have a meaningful effect.

Xi, after a decade in power, has a mixed report card. Many of Chinese strategic challenges have not been resolved and they are growing in scope and depth. The Chinese economic model a decade after it ran out of steam is still in place and it would seem Xi is not dealing with it. Xi Jinping is more focused on shoring up his position and manning control over all aspects of China's society.



The Battle for the Pacific: China's Solomon Island Deal

In April 2022 China inked a security agreement with the Solomon Islands in the Pacific. China has for long been extending ties with the numerous islands in the Pacific which have focused largely upon raw materials and China's economic needs. What makes the Pacific such a strategic piece of real estate for China is its long border with the ocean. The second island chain that China wants to expand to brings it close to the many Islands in the Pacific.

In the beginning of April 2022 the Solomon Islands initialled a draft Framework Agreement with China to allow the deployment of Chinese police or military forces to the island nation to manage crises. The deal, similar to one inked with Australia in 2017, facilitates the deployment of security forces should the Solomon Islands request them. In November 2021, Australia and New Zealand deployed security forces to the island nation to help the government deal with violent protests, many of which targeted Chinese commercial interests.

For Beijing, the new Solomon Islands agreement marks a new step towards the normalisation of Chinese security assistance abroad. While China has used its military as a tool of coercion in South-East Asia, most notably in the South China Sea and along the disputed Indian border, Beijing has not really travelled further afield.

China has become increasingly active in the Pacific Islands. For China, the region offers a way to project power beyond the Second Island Chain, as well as gain access to valuable fishing sites and subsea mineral resources. Through its deepening ties with Pacific Island nations. If China can build capacity in the Pacific it could disrupt the long-range lines of communication between the US and its Asian partners.

The agreement between China and the Solomon Islands focuses on boosting the island's national security. It also includes cooperation on humanitarian assistance, disaster response and efforts to maintain social order. A clause in the agreement says that China can "make ship visits to, carry out logistical replacements and have stopover and transition in Solomon Islands," as well as send Chinese forces to the country to "protect the safety of Chinese personnel and major projects." This has stoked concerns with both the US and Australia as China could send troops to the Solomon Islands and establish a permanent military base there, less than 1,200 miles from Australia.

Besides the Solomon Islands agreement, China has signed wide-ranging deals with the 10 Pacific Island countries that have diplomatic relations with China, including memoranda of understanding related to China's Belt and Road Initiative focused on trade, investment and infrastructure development. These countries also hope to access China's massive tourism market, jointly develop maritime mineral and fuel resources, and counterbalance relations with Australia and the US.

The Solomon Islands security deal is the second China has after its military base in Djibouti Africa. Whilst the deal in the Pacific is not a military base its security overtones makes it possible China could have a military base and presence in the future. The Solomon Islands arrangement could also prove enticing to other small countries seeking to enhance their internal security and diversify their external security relations. The Solomon Islands deal could become a model for Chinese security assistance elsewhere.

The Indo Pacific Region





The Belt & Road Initiative a Decade on

In 2023 China's Belt and Road initiative (BRI) will reach its first decade anniversary. When it was launched in Kazakhstan back in 2013 by Xi Jinping it was as audacious as it was geopolitical. The trillion dollar global investment project planned to build roads, ports and other critical infrastructure around the world. For many it was a power play by China to shift the dominance of the western led global order, for others it was a chance of much needed investment.

After a decade China has signed Memorandums-of-Understanding (MOUs) with 150 countries and 32 international organisations, among which 46 are in Africa, 37 in Asia, 27 in Europe, 11 in North America, 11 in the Pacific and eight in Latin America. China is now the world's number one overseas investor. But it's not all been plain sailing. Sri Lanka and the lease of the Hambantota port being saddled by the burden of unsustainable debt to China is well-documented. It has seen a raft of negative publicity. In 2018, former Malaysian President Mahathir Mohamad suspended work on certain BRI ventures in his country over concerns of mounting debts to China. In Pakistan, too, the voices against the conditionalities tied to Chinese activities and loans have grown louder. India, for its part, had taken an early stance against the BRI and refused to participate in the inaugural Belt and Road Forum in 2017.

Whilst the BRI has been seen by many as a global power play by China, but for China there was a context to the global project and it serves to solve a number of problems China was facing. China grew rapidly from 1979 to well into the 2000s. This was

achieved with production and investment powered by the country's integration into regional cross-border production networks. In 2002 China became the world's biggest recipient of foreign direct investment (FDI) and by 2009 it had overtaken Germany to become the world's biggest exporter. But the Great Recession from 2008 led to a decline in world trade, creating a major problem to the country's export-oriented growth strategy.

The government attempted to counter the effects of declining external demand with a major investment programme financed by massive money creation and low interest rates. Investments included a massive state-supported construction boom, new roads, railways, airports, shopping centres and apartment complexes. Such a big construction push had left the country with excess facilities and infrastructure, highlighted by a growing number of ghost towns.

China's leaders were not blind to the mounting economic difficulties. Limits to domestic construction were apparent, as was the danger that unused buildings and factories coupled with excess capacity in key industries could easily trigger widespread defaults. The party leadership then chose a new strategy, one that sought to maintain the existing growth process by expanding it beyond China's national borders: the One Belt One Road (OBOR) initiative was born, it would eventually become the Belt and Road Initiative (BRI).

The initial aim of the BRI was to link China with 70 other countries across Asia, Africa, Europe, and Oceania. The two parts to the initial BRI vision: The

“Belt” sought to recreate the old Silk Road land trade route, and the “Road,” which was not actually a road, but a series of ports creating a sea-based trade route spanning several oceans. The initiative was to be actualised through a number of separate but linked investments in large-scale gas and oil pipelines, roads, railroads and ports as well as connecting “economic corridors.”

South Asia – China’s flagship BRI project is in Pakistan, the China-Pakistan Economic Corridor (CPEC). CPEC projects are underway in the energy sector (which is the largest share of CPEC investment), transportation, infrastructure development and the creation of special economic zones to help facilitate industrial growth in the country. But the projects have been plagued with a number of security threats at different points in the country. In Balochistan where the Gwadar port is being built by China, separatist groups such as the Balochistan Liberation Army (BLA) continue to threaten and execute attacks against both the Pakistan army and civilian Chinese workers. Despite progress in infrastructure projects the biggest concern has been the fact the prospect of Pakistan going into a severe financial crisis and debt spiral as the country does not have the capacity to repay the loans it has taken.

South-East Asia - Projects under the BRI cooperation in Myanmar and Thailand have been slow and often marked with delays due to protracted negotiations. In the case of Myanmar, several dormant or delayed mega-infrastructure projects received a boost during Chinese President Xi Jinping’s visit to Myanmar in early 2020. Xi called for “...*both sides to deepen result-oriented Belt and Road cooperation and move from the conceptual stage to concrete planning and implementation.*” The growing trade imbalance in favour of China is leading to concerns in Southeast Asia over China’s economic leverage in the region. There is wariness that economic dependence on China may affect the domestic economies and more importantly, the region’s independence and sovereignty.

Central Asia - Given its strategic location, Central Asia is critical to China’s Silk Road Economic Belt (SREB) initiative, a key component of the BRI. After the inception of the BRI, many projects involving Central Asian countries and China were signed in the fields of oil and gas pipelines, rail and road connectivity, trade promotion, industrial development, and mineral production. The BRI projects in Central

Asia are marred by corruption, lack of transparency and debt problems. Almost 30% of the investments in Central Asia are lost in graft. The influx of Chinese workers for these infrastructure projects have minimised the opportunities for local employment. The increased influx of Chinese workers has led to violent protests in the region. In August 2019, more than 500 villagers in Kyrgyzstan entered a mine operated by a Chinese company and injured 20 workers. The steadily growing anti-China sentiments amongst the people of the region pose a serious challenge to the future of the BRI in Central Asia.

“the claims that the BRI will change the world and China’s aims of transforming its economic model have so far not succeeded. The BRI is not a miracle. It can’t transform places not yet on the verge of taking off. Nor has it and can it fully solve China’s challenges domestically.”

Pacific Island Nation’s – China has attempted to transform its bilateral relations with Australia, New Zealand and numerous Pacific island nations (PICs) into BRI projects. But tensions with Australia and New Zealand’s ban of Huawei after spying concerns emerged, has stalled the BRI in the region. The involvement of Australia, New Zealand, and the PICs in the BRI will depend on political negotiations, where caution, cost and attested benefits are to be weighed.

Africa – 45 out of Africa’s 54 countries have signed up to BRI projects. The investment has mainly been in the power, transport and communications sectors. But there have been major concerns that the infrastructure could turn into “white elephants”, too large, expensive, unviable, not well-planned and out of proportion with their value and usefulness. The assumption that every infrastructure project unlocks economic transformation, creates jobs, and fits into African countries’ national development plans may not be the case.

Latin America - In the first few years since it was conceived in 2013, the BRI did not include Latin America. This changed in 2018, when the Chinese

Foreign Minister announced plans to extend the initiative to the region, at a meeting with the Community of Latin American and Caribbean States. Today, China is the second-largest trading partner and the third-largest investor in Latin America and the Caribbean. But Chinese investments have received environmental, social and governance concerns. In Mexico, a high-speed railway project deal was cancelled due to corruption allegations. Brazil, Argentina, Mexico and Colombia, the four largest economies in Latin America and accounting for around 70% of the region's GDP, are yet to sign BRI agreements. At the same time, these four nations have comprehensive bilateral cooperation agreements with China and are host to multiple Chinese infrastructure projects. This raises an important question as to which projects can be classified as "BRI projects." Álvaro Méndez, co-founder of the LSE Global South Unit, suggests *"Not even China knows exactly what BRI is. Many things that already existed before BRI are being framed under it."* Over the last few years, there has been a noticeable decline in the funds allotted to Latin America under the BRI.

To date there is no official BRI map from China as the initiative has continued to evolve. In addition to infrastructure it now includes efforts at "financial integration," "cooperation in science and technology," "cultural and academic exchanges," and the establishment of trade "cooperation mechanisms." Its geographic focus has also expanded. In September 2018, Venezuela announced that the country will now join China's ambitious New Silk Road commercial plan, whilst China's moves in the Arctic also now come under the BRI.

Under the BRI China has rushed to generate projects, many of which are not financially viable. The European railway projects are illustrative of this. Chongqing-Duisburg, Yiwu-London, Yiwu-Madrid, Zhengzhou-Hamburg, Suzhou-Warsaw and Xi'an-Budapest are among the more than 40 routes that now connect China with Europe. Yet out of all these, only Chongqing-Duisburg, connecting China with Germany, was created out of a genuine commercial need. The other routes are political creations by Beijing. The Euro-China railways arrive in Europe full of laptops and other gadgets, the containers on the new routes come to Europe full of low-tech Chinese products, but they leave empty, as there's little worth transporting by rail that Chinese consumers want. With only half the route effectively being used, the whole trip often loses money. Today, most of the BRI's rail routes function

only thanks to Chinese government subsidies.

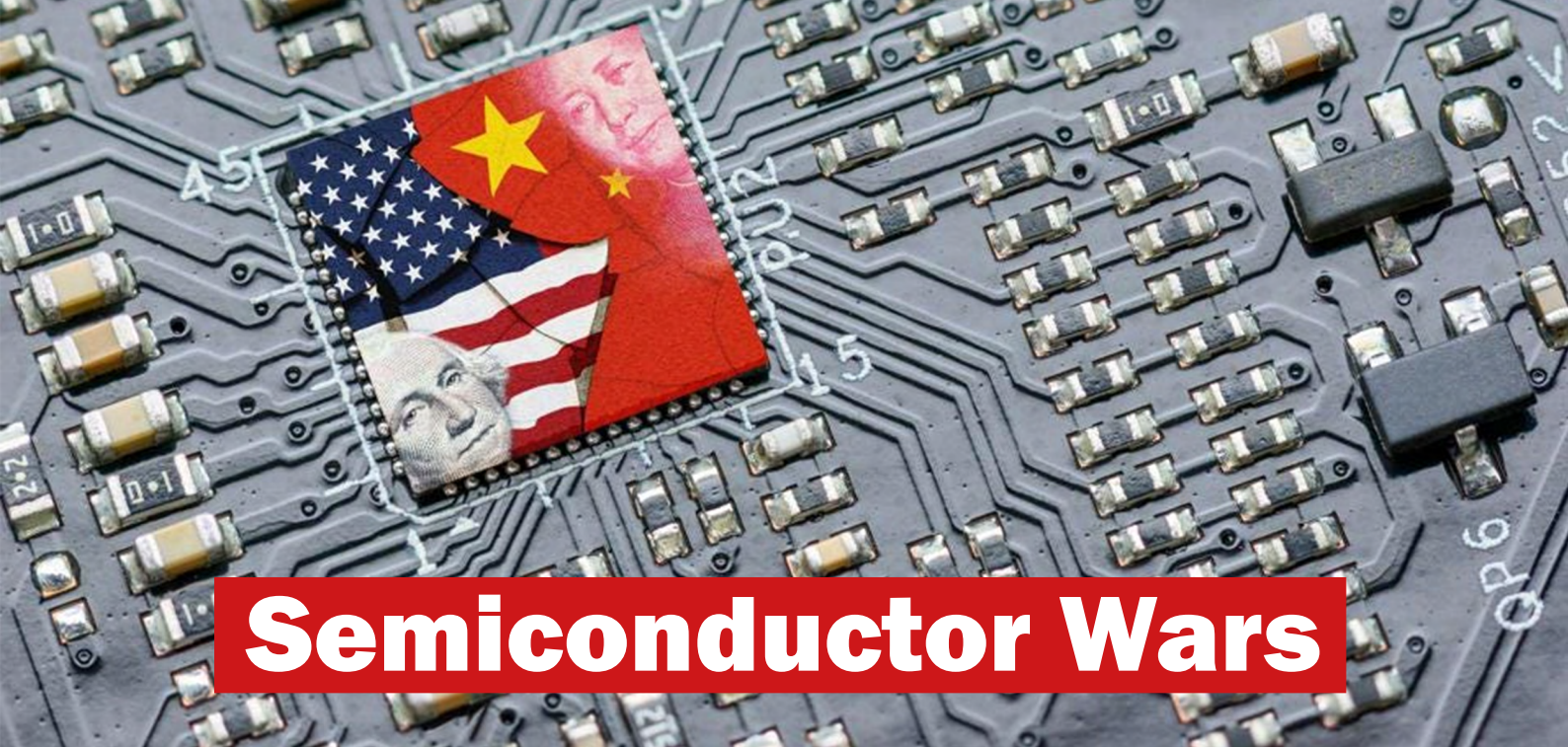
As the years have gone by with the BRI a growing number of countries are becoming reluctant to participate because it means they will have to borrow funds for projects that may or may not benefit the country or generate the foreign exchange necessary to repay the loans.

After a decade China has definitely grown and expanded the BRI across the world. But it's unlikely China will dominate the world as has been indicated by many. This is because US capital, multilateral institutions and European investors have more strength, prestige and networks worldwide than their Chinese counterparts. Western loans and investments are still preferred to China's, whether in Europe, Africa or Asia. In addition, the US and its allies, such as the European Union (EU), Japan and South Korea, have technological strength, developed economies and sustainable infrastructure. Together, they offer a competitive advantage to China's BRI and evidence that China's economic presence has been exaggerated.

Similarly, the US-led economic order and democracy have deep roots around the globe. China's endeavour to undercut this global system is likely to be futile. The Chinese cultural, social and economic system is not easily learnable and adoptable for many.

But the claims that the BRI will change the world and China's aims of transforming its economic model have so far not succeeded. The BRI is not a miracle. It can't transform places not yet on the verge of taking off. Nor has it and can it fully solve China's challenges domestically.





Semiconductor Wars

On the 7th of October 2022, the Biden administration imposed a sweeping set of export controls that included measures to cut China off from certain semiconductor chips and chip-making equipment. Under the rules, US companies needed to cease supplying Chinese chip makers with equipment that could produce advanced chips unless they first obtained a licence. Whilst Donald Trump started the trade war with China President Biden has now dropped a bomb by banning access to advanced Chips for China. The American ban brings into sharp focus the importance of Semiconductors in the modern economy and the role China will play.

What are Semiconductors?

Generally, semiconductor refers to a material – like silicon – that can conduct electricity much better than an insulator such as glass, but not as well as metals like copper or aluminium. Semiconductor chips are typically made from thin slices of silicon that are the size of one's hand and thinner than a piece of human hair. They have complex components laid out on them in specific patterns. These patterns control the flow of current using electrical switches – called transistors. Like we control an electrical current in our home by flipping a switch to turn on a light, a semiconductor switch is entirely electrical, with no mechanical components to flip. These chips contain tens of billions of switches in an area not much larger than the size of a fingernail.

From the earliest days of the missile race, the Pentagon was fixated on applying computing power to defence systems. The first major application of

chips was in missile guidance systems. Among the earliest commercial applications for semiconductor chips were pocket calculators, which became widely available in the 1970s. These early chips contained a few thousand transistors. In 1989 Intel introduced the first semiconductor to exceed a million transistors on a single chip. Today the global market for semiconductors is driven by growing demand for smartphones, tablets, digital TVs, wireless communications infrastructure, network hardware and all other goods that use computers.

The Chip Supply Chain

Manufacturing semiconductors is a highly complex and immensely precise process with over 300 stages. These include raw wafers, commodity chemicals, specialty chemicals, and bulk gases, all of which are processed and analysed by upwards of 50 different types of processing and testing tools. Those tools and materials are sourced from around the world, and are typically highly engineered. Further, most of the equipment used in semiconductor manufacturing, such as lithography and metrology machines, rely on complex supply chains that are also highly optimised, and incorporate hundreds of different companies delivering modules, lasers, mechatronics, control chips, optics, power supplies, and more.

The production chain for semiconductors does however have three distinct components. The first is design, which constitutes 45% of the value chain. Then fabrication which constitutes another 45% of the value chain. And then assembly, testing and packaging, which constitute 10% of the value chain.

Two groups of companies dominate the design aspect, these are integrated device manufacturers, which have integrated design with production capabilities and therefore have in-house technology to produce semiconductors. Then there are fabless firms, which focus only on chip design and partner with a contract foundry like Taiwan Semiconductor Manufacturing Co (TSMC) to manufacture them. TSMC beginning in 1987 pioneered the “pure-play foundry” model that focused solely on manufacturing other companies’ chip designs. Eventually established integrated device manufacturers like Intel, as well as AMD and Qualcomm sold off their own foundries, finding it more profitable to contract production out to TSMC and the only comparable competitor, South Korea’s Samsung.

This sparked a boom in innovation and specialisation as fabless chip designers could channel all their resources into pushing the boundaries in niches ignored by the likes of Intel, which focused mostly on general purpose processors. Building cutting edge factories that manufacture semiconductors costs more than \$20 billion. It’s also becoming increasingly technologically sophisticated, requiring expensive, highly specialised materials and tools that themselves are made by a very small number of companies. As a result, TSMC controls more than 50% of the global semiconductor foundries, whilst Taiwan as a whole possesses 75% of the worlds fabless foundries.

Taiwan and the handful of fabless facilities around the world all rely on equipment, tools and software produced by external firms to make semiconductors. TSMC, like other foundries, is dependent on other companies to supply the equipment needed for pro-

duction. But only a small number of manufacturers produce this equipment. Five companies account for more than 75% of global supply. Three of these companies are based in the US, Applied Materials, Lam Research Corp. and KLA Corp. The other two are Japanese firm Tokyo Electron and Dutch company ASML. Production at advanced levels requires huge investments and access to complex global supply chains producing chemicals at high levels of purity and lenses, mirrors, valves and tubes engineered to the highest levels of precision. It also requires access to sophisticated electronic design automation tools and deep or extreme ultraviolet lithography tools. Both are dependent on US Intellectual Property.

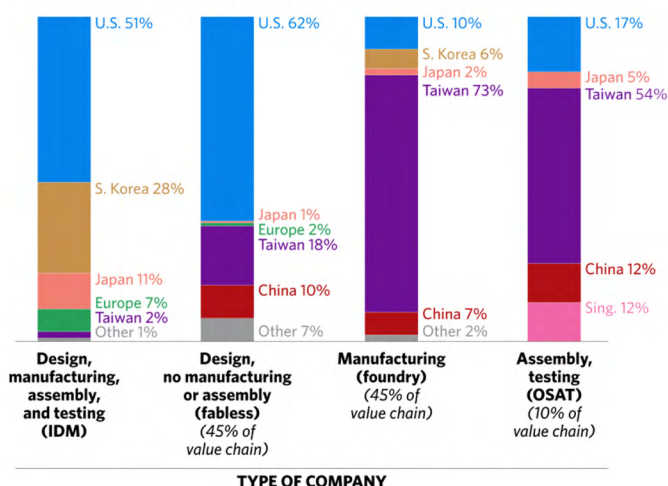
Made in China

Semiconductors represent a rare area in which the Chinese economy is dependent on the rest of the world, rather than the other way around. In 2015 China’s “Made in China 2025” strategy aimed to change this by vastly increasing domestic semiconductor production. One reason this had to change was because China spends \$432 billion on imported microprocessors, equivalent to total expenditure on grain and crude oil imports.

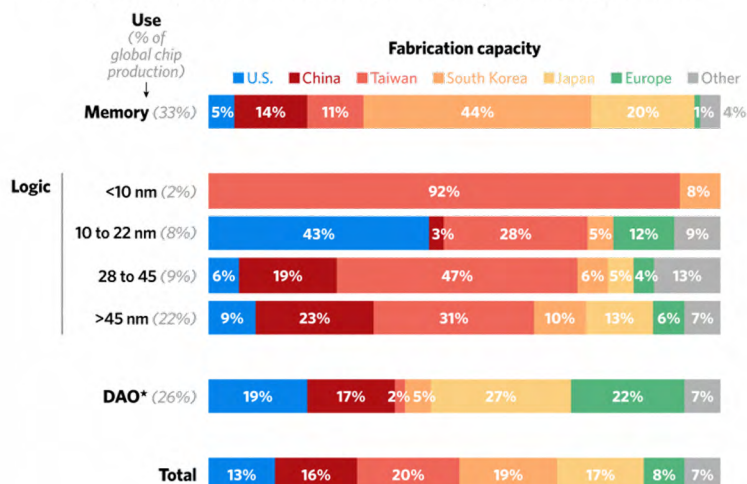
Prior to the last half decade, China spent more than 30 years and tens of billions of dollars to build a domestic semiconductor industry, showering its national champions with resources to compete with Western companies. Despite these investments, Chinese semiconductor companies make up a relatively small part of the global market. Today China’s own microprocessor industry now manufactures significant quantities of microprocessors at the less advanced

Semiconductor Value Chain

Location of semiconductor companies, by step in production



Global Wafer Fabrication Capacity by Country in 2019



Semiconductor Manufacturing Process

Stage 1 Design

Semiconductor chip designs are created for either specific or general product usage.



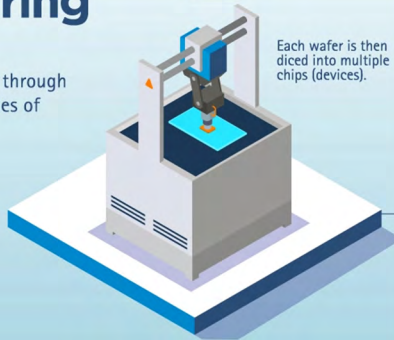
Location

- Fabless semiconductor companies
- Electronics manufacturers
- Independent design companies

Stage 2 Manufacturing

Front End

Silicon wafers are processed through a complex and extensive series of manufacturing steps.



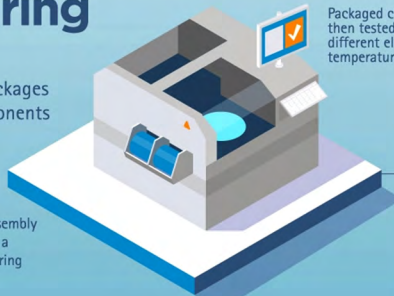
Each wafer is then diced into multiple chips (devices).

- Foundries
- Captive Factories (IDMs)

Stage 3 Manufacturing

Back End

Chips are assembled into packages to form the electronic components that can be mounted onto circuit boards.



Packaged chips are then tested under different electrical and temperature conditions.

- Outsourced Semiconductor Assembly & Test (OSATs)

Stage 4 End Product Integration

Chips are integrated by EMS and OEM companies to create end products.



- Original Equipment Manufacturers (OEMs)
- Electronics Manufacturing Service (EMS)

\$0.58 trillion
Global market size for EMS and ODM in 2020.

1.04 trillion
Semiconductor chip units shipped in 2020.

Integrated Device Manufacturers (IDMs)

While the foundry model separates semiconductor manufacturing steps to different companies, IDMs traditionally manufacture their own chips.

IDMs also rely on the foundry model to supplement a portion of manufactured devices.

Stage 5 Consumption

End products are shipped to companies, retailers, and consumers worldwide for a growing number of applications.

End products:

- Mobility & connectivity
- Personal computers
- Cars
- Servers & storage drives
- Smart homes
- Smart medtech
- Industry 4.0, smart factories

production nodes, i.e. 24 nanometers upwards (the nanometer is the measure of the gap between etched circuits on a silicon chip). But China is still a long way from being able to produce microprocessors at the most advanced production nodes, now 5 and soon to be 3 nanometers. The production of these advanced nodes is dominated by two corporations. Taiwan's TSMC and South Korea's Samsung.

Over the past decade, the Chinese government has doubled down on its efforts to develop and indigenise its semiconductor industry. This emphasis stems from a concern among Chinese leadership that she has been too reliant on foreign firms for access to advanced commercial semiconductors and semiconductor manufacturing equipment. China's push for chip dominance has yielded some success in recent years. However, due to lack of access to critical intangible expertise, China is likely to remain behind the US and other US allies in this supply chain.

For the US, China's tech rise possesses a challenge that can't be left to another day. Supercomputers, AI, robotics and the internet of things etc will all require advanced semiconductors and China possesses a threat that the US is now moving to address. The US export control announcement in October 2022 against China's semiconductor industry will have a real impact on China but it will likely lead to more aggressive Chinese retaliation. Given the dominance of US and Western-developed technology, the new US restrictions will severely disrupt China's semiconductor industry.



European
Commission

Europe



The Shifting Border Between Russia and Europe

Russia and Ukraine are at war once again. Many in Europe watched as 200,000 Russian troops gathered on Ukraine's border for months leading up to February 2022. Whilst this war is now the first war in Europe since the Balkan wars of the 1990s, what we're witnessing today, on the edge of Europe is really the current iteration of a centuries old struggle.

Where does Europe's border end and Russia's border begin? This may seem like a simple question but it's defined the European continent for centuries. Europe, especially the northern part, is dominated by the Northern European plain. The plains begin in Northern France and then open up vertically to a 1,000 miles front from the Baltics down to the Black sea all the way to the Urals. The border between Russia and Europe has constantly moved as a large chunk of Europe and European Russia sit on the northern European plain. For a long period of history, the northern European plain has been a major route for invasions.

A Slavic people emerged in Muscovy in the 14th century and they faced a major strategic challenge. Their homeland was surrounded by thousands of miles of flat land, making Moscow indefensible. Over the centuries Ivan the Terrible, Peter the Great, Catherine the Great and the Czars defended Moscow by expanding Russia's borders. A united and expanding Russia came to pose a major challenge to Europe. But its two key assets, land and natural resources, became a constant temptation for European powers. In the last 600 years Russia has been invaded every century.

In just the last 200 years Russia has been invaded, on average every 33 years by European powers.

Beginning with the Ottomans in 1571 when they burned Moscow to the ground to Napoleon's invasion in 1812 to Germany's two attempts in WW1 and WW2. Europeans have for the last 600 years tried to expand Europe's borders deep into Russia.

What emerged after WW2 was Russia's borders expanded Westward from Moscow nearly 1,000 miles, all the way to Berlin in Germany. These were areas Russia had never occupied in its history. As Russia pushed back the Nazi war machine beginning from Stalingrad in 1943, the Red Army marched West across the Northern European plain and conquered Berlin in Germany. For the first time, Russia was able to expand deep into Europe and created a buffer zone between its heartland and its enemies. Russia finally had the strategic depth it always desired.

When the Cold War developed after WW2 the world watched as they believed Russian tanks running from Denmark down to Romania would try to seize the rest of Europe that was beyond the iron curtain. In response, the US created a containment line around the USSR from Norway down to Turkey consisting of NATO, numerous bases, troops and nuclear weapons to stop any Soviet advance.

After decades of the space and arms race, rising tensions in the republics against Moscow's rule, in 1991 the Soviet Union collapsed and Russia's borders

would shift 1,000 miles Eastward as former satellite states and republics became independent nations. Once again, sensing the opportunity, Europe and the US would look to push the continent's borders deep into Russia again. But this time rather than sending soldiers they used NATO and EU membership. From 1991, many nations that were once behind the iron curtain, one by one joined western institutions. When the Baltic nations joined both the EU and NATO in the 2000's, Moscow was just 350 miles from Europe's borders. St Petersburg was a mere 100 miles.

Since he emerged as Russia's paramount leader, Vladimir Putin has been trying to reclaim Russia's strategic depth. He has been able to slow down European encroachment with his invasion of Georgia in 2008 and by supporting Pro-Russian leaders to power in Russia's buffer regions. Whilst Putin has been able to slow down Europe's advance; he has not

halted the centuries old struggle of European encroachment Eastwards.

This is where Ukraine comes into the picture.

Ukraine remains one of very few nations that act as a buffer for Russia today. But since the Euromaidan uprising in 2014, Europe has been integrating Ukraine to the West and this has long worried Russia.

The invasion of Ukraine by Russia is the modern version of a centuries old battle between the Russians and Europeans who want to push their respective borders across the continent for power, wealth, land and resources. Ukraine is now the latest battleground for this centuries old struggle.

THE EUROPEAN PENINSULA AND RUSSIA



Invasions of Russia

Russia-Turkey war - 1568

The first invasion of Russia was by the Ottomans in 1568, beginning the first of 12 wars between them. The Ottomans looking to expand into the Black sea and the Caucasus, burned Moscow to the ground, but were eventually repelled by the Russians

Polish-Russian War, - 1609-1618

At the beginning of the 17th century the Polish-Lithuanian Commonwealth invaded Russia in order to conquer and subjugate it. It took the Russian people a decade to repel them

Great Northern War - 1700-1721

Swedish Kings had for long waged war against Russia and in 1700 Charles XII of Sweden invaded Russia in the Great Northern War. Despite protection from the Ottomans the Swedish King and his forces were defeated in 1709.

Napoleon's invasion of Russia- 1812

In June 1812, 600,000 European soldiers under the command of Napoleon Bonaparte began the invasion of Russia. Napoleon wanted to add Russia to his continental system and in September 1812 he entered Moscow. What he found, however, when he got there was an abandoned Moscow as the Russians retreated deep into Russia's interior. Trapped in Moscow in freezing temperatures without supplies or accommodation and failing to secure a peace treaty with the Czar, Napoleon retreated back to France. Only 20,000 soldiers made it back home.

World War 1 - 1914 - 1918

In WW1, the Germans were looking to establish a continent wide system, dominated by Germany. They pushed all the way to St Petersburg and completely destroyed the Tsardom of Russia. Germany would force Russia to give up Poland and the Baltic States and leave WW1, bringing an end to all fighting on the Eastern front. In the end, Germany would surrender in 1918, but the Russian capitulation would lead to the emergence of Communism in Russia.

World War 2 - 1939 - 1945

The German defeat in 1918 would see a second attempt at conquering Russia in 1941. Operation Barbarossa, beginning in June 1941 and would see the world's largest army of nearly 4 million assembled to conquer Russia. Staring at annihilation the Soviets would implement a meat grinder strategy of shipping poorly trained and poorly armed troops to be annihilated by the Nazi Wehrmacht. The Soviets hoped this would buy them time to counterattack. In the end the Red Army would conquer Berlin, but at a cost of 30 million Russian lives.



Is Britain Becoming a Banana Republic?

In just a few months in late 2022 Britain witnessed three different prime ministers, three home secretaries and four chancellors of the exchequer. Much like London buses, you wait for one prime minister, then three come along in quick succession. Liz Truss resigned after exactly 44 days in office. All of this took place after a long summer where Rishi Sunak and Liz Truss both sparred with each other in live televised debates as they attempted to become the leader of the Conservative Party and British prime minister. The Conservative Party at the end of 2022 has had five different Prime Ministers in the six years since the Brexit referendum. Every Tory leader faced a growing list of challenges in the UK. Some of these problems were of the government's own making whilst others have been exacerbated by the succession of Tory governments. All of this takes place with the future of Britain looking ever more precarious.

The biggest problem has been the Conservative Party itself. It has a long history of disunity which has regularly torn the party apart. From Robert Peel and the Corn laws in 1846 to Margaret Thatcher to Boris Johnson, all tore the Conservative Party apart as they imposed their own interests and agenda without achieving party consensus. Europe, as a contentious issue, divided the Tories from the time of Thatcher and forced the then Prime Minister David Cameron to have a national referendum which in the end led to Britain exiting the EU. The divisions are so deep that senior Conservatives launched a campaign among party members to allow them a vote to allow Boris Johnson to continue as Prime Minister, after he was forced to step down. 7,600 Tory members signed a petition calling for a vote.¹⁹ One Cabinet Minister loyal to Johnson outlined: *"There is complete and utter despair and disbelief at what has happened. It*

is no wonder that the grassroots members feel their voices have been cancelled out by a minority in the Parliamentary party. These are the same people who year after year, decade after decade, have chosen to silence the membership of the Conservative Party for their own preference and betterment. And that is wrong."²⁰

The Conservative Party, despite the rhetoric that it works in the interests of the nation as a whole, is simply a party that represents the interests of the 1%. Despite advocating values of conservatism, this has really meant maintaining the status quo which serves the interests of the 1%. This has allowed barons, aristocrats and the merchant class in the past and billionaires today to gain a stranglehold over individual Conservative politicians to serve their narrow interests. These billionaires wrote a letter, awarding their unconditional support to Boris Johnson. The letter was signed by some of the richest men in Britain.²¹ Nadine Dorries, Secretary of State for Culture, Media and Sport, on national TV admitted when Johnson faced a vote of confidence: *"...the Conservative Party donors have said themselves that they aren't going to support the party if the PM is removed. I think a number of MPs in marginal seats need to hear that, and need to understand what they're doing: £80 million those donors have donated to the Conservative Party over recent times."*²² This is a Tory cabinet minister setting out in stark terms that billionaires hold a stranglehold over the governing political party.

The Haves and Have Nots

The economic situation of the UK, is in many cases dire, despite being the 5th richest nation in the world. Britain, like many other nations, is going

through a cost of living crisis, which is seeing inflation reach record levels. But much of Britain's working class have been living through a cost of living crisis for over a decade which began with deep cuts called "austerity," and the astronomical sums printed to bail out the financial industry after the global economic crisis in 2008. The further amounts printed during COVID-19 only added to more and more money chasing a shrinking and then stagnant economy. The UK economy has had structural problems for decades. After WW2, Britain's industrial base rapidly declined and was culled during the era of Margaret Thatcher, from 1979. The British economy was restructured and completely shifted from manufacturing to services, with finance taking a dominating role, a drive termed as neoliberalism by many today. Today Britain's 1% own 20% of the nation's wealth, whilst the top 10% own half the nation's wealth. Under successive Conservative governments and under Tony Blair's New Labour this structure has been institutionalised as governments both red and blue have come to serve this small, rich elite. Successive governments continue to manage the economy, rather than solve the deep structural flaws. Consider the following in the world's 5th largest economy:

1. 22% of the UK population, 14.5 million people, live in poverty.²³
2. 13.2% of UK households are in fuel poverty i.e. they cannot afford to heat their homes adequately.²⁴
3. There are more food banks in the UK than outlets of the fast-food chain McDonald's.²⁵

Whilst Britain's EU membership has always divided the Conservative Party, Britain's final departure from the European Union was driven by a handful of billionaires who saw the EU's encroachment into Europe's financial sector as a threat to them. They used their wealth to back anti-EU politicians, who then utilised every prejudice to build public opinion. This small class was able to drive through Britain's departure from the EU. These billionaires paid for the campaign to block former Prime Minister Theresa May's EU deal – then went on to back Boris Johnson's rise to power.²⁶ The successive failure of Conservative Prime Ministers is because they do not represent the masses and therefore they fall out of favour very quickly with the masses. The promises that were made by Rishi Sunak and Liz Truss in the candidacy race were just to get them power and not to actually deliver on them.

Dis-United Kingdom

Successive Prime Minister's now faces the daunting task of trying to halt the rapidly moving trend of the long-term splitting of the UK with both Scotland and Northern Ireland pushing for secession. Britain's departure from the EU has given fresh impetus to this debate, which was settled (for the time being). Whilst Brexiteers promised a utopia when the UK left the EU, this has inadvertently given fresh impetus to the different states in the UK to seek leaving the UK in order to remain part of the EU. Both Scotland and Northern Ireland publics voted to remain within the EU during the Brexit referendum in 2016. 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 her 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 Scottish National Party (SNP) to pursue independence and this also lends to calls for Irish unification.

“The Conservative Party, despite the rhetoric that it works in the interests of the nation as a whole, is simply a party that represents the interests of the 1%. Despite advocating values of conservatism, this has really meant maintaining the status quo which serves the interests of the 1%. This has allowed barons, aristocrats and the merchant class in the past and billionaires today to gain a stranglehold over individual Conservative politicians to serve their narrow interests.”

One Amongst Many

Britain's territorial unity raises serious questions about Britain's medium to long term place in the world, if London fails to keep the unitary state. But many trends are already moving against Britain glob-

ally and it's likely Britain will be just another nation amongst many, rather than an influential nation in the world. India has now replaced the UK as the world's 5th largest economy, pushing the UK to 6th. A former colony will have a larger GDP than the UK and the right to be at the decision making table over the UK on international organisations. Since WW2 Britain's influence was replaced by the US and despite Britain creating many of the monarchies and nations in the Middle East, British influence has been gradually replaced in these nations. With Russia returning to power after the collapse of the Soviet Union, with the rise of China and with other middle tier nations such as Turkey, Brazil and India playing major regional roles, Britain is looking at falling out of the premier league of nations to be replaced by other more influential nations. Whilst Britain may like to promote its soft power, the reality is her economic

hard power has weaknesses and her military power requires external accompaniment to be effective. Successive Prime Minister's will have their work cut out as the previous Prime Minister continued to pursue rhetoric rather than real policies on this foreign policy front.

The Brexit utopia that was promised to British citizens is where a narrow elite have driven the country into the ground and now look to achieve their narrow interests by funding and donating to willing politicians. Race, immigration and the EU were for long blamed for everything that was wrong in the UK, when really successive governments were serving the 1% over the interests of the masses. In many ways the election of the new Prime Minister in August and October 2022, was irrelevant to the structural underlying problems the UK is facing.





Europe's Energy Dilemma

In response to Russia's invasion of Ukraine, the US and EU imposed heavy sanctions aimed at crippling the Russian economy. Europe has for long had a large dependency on Russian energy, but Ursula von der Leyen, the president of the European Commission made clear: *"We must become independent from Russian oil, coal and gas. We simply cannot rely on a supplier who explicitly threatens us."*²⁷ The EU for long had a dependency on Russian energy. This problem was for long kicked into the long-term but, with Russia's invasion of Ukraine, Europe is using energy in order to sanction Russia and this now forces Europe to transform its energy environment.

Europe's Energy Architecture

Europe consumed the equivalent of 1.4 billion tonnes of oil equivalent (Mtoe) in 2019, prior to the dip in energy consumption due to COVID-19. Europe's energy consumption is dominated by fossil fuels, which account for 67% of the continent's source of energy, (oil – 34.5%, natural gas – 23.7%, coal – 11.5%). Europe's renewable energy policy has seen this energy share of total energy grow to 17.9%. Nuclear and waste further contribute 13.1% and 1.1%. Europe is only able to supply 40% of the energy it consumes from regional production and sources, 60% of its energy is imported, which has created a major dependency on foreign sources of energy and Europe's dependency on Russian energy.

The shares of the different energy sources vary considerably between different European nations. Oil accounts for a significant share of total energy con-

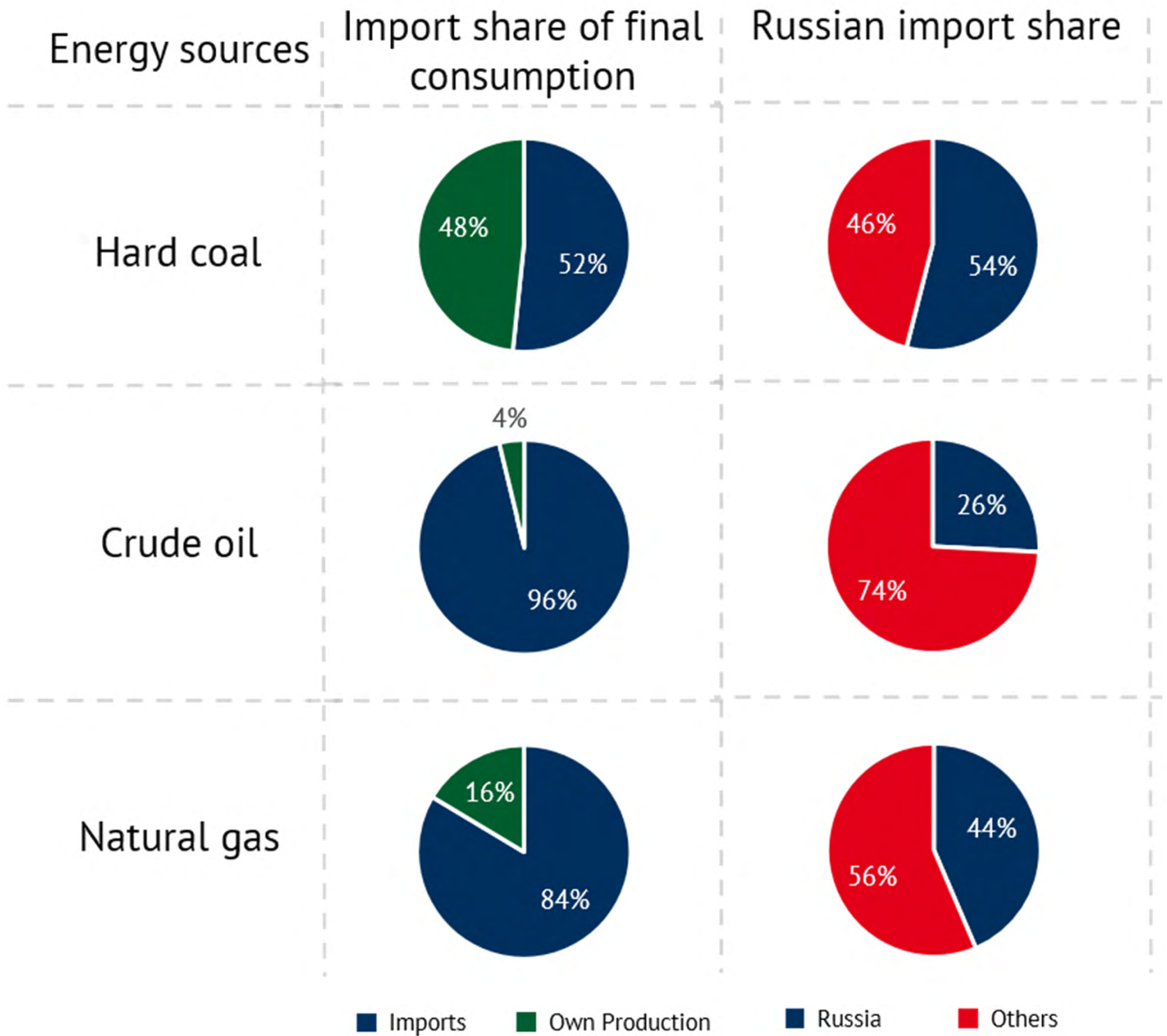
sumption in Cyprus (87%), Malta (86 %) and Luxembourg (60%), while natural gas accounts for 40% in Italy and 38% in the Netherlands. Renewables have the highest share in Sweden (49%) and Latvia (40%), while nuclear energy makes up 41% of energy consumption in France and 25% in Sweden and Slovakia respectively.

The main source of energy Europe is able to source regionally is renewable energy. While wind, solar, hydro etc do not require mineral sources, they do rely on the environment. Regional energy supply through renewables is 40% of domestic production with nuclear energy supplying a further 30%. Renewable energy is the exclusive source of primary production in Malta and represents the main source in a number of EU nations with over 95% in Latvia, Portugal and Cyprus. The significance of nuclear energy is particularly high in France (75% of total national energy production), Belgium (63%) and Slovakia (60%).

Oil Dependency

Oil is the largest primary energy source in Europe. It is mostly used for transportation and heating. But domestic oil production is extremely low in Europe. In 2019, before COVID-19 Europe imported 96% of its oil. Major European oil discoveries were made in the late 1800s up to the mid 1900s. These oil fields have either ceased or are now matured fields (producing oil at substantially reduced production rates). The prolific oil fields of the North Sea and the world's oldest oil field in Poland, are still producing but at lower production rates. It is extremely doubtful new

Europe's dependency on Russian energy sources - 2021



oil fields will be discovered in Europe. Europe spends €211 billion annually on crude oil imports.

Norway is the only regional nation that produces oil, but it's dwarfed by Russia who supplies 25% of Europe's oil. The remainder consists of Norway (8.9%), US (8.5%), Kazakhstan (8.4%), Saudi Arabia (7.8 %) and Nigeria (7.7%). Some European nations rely heavily on just one or two oil exporting countries, which increases their exposure to supply risks. This is particularly the case for countries in central and eastern parts of Europe, especially Slovakia and Finland, which are reliant on Russia for over 90% of their supply of crude oil. Furthermore, the sources of crude oil available to landlocked Central European countries (such as Slovakia, the Czech Republic and Hungary) is limited because they have no ports for oil tankers and so are fully reliant on oil pipelines from Russia and the former Soviet Union.

The EU is connected by pipelines to Russian oil, but most of the imports into the bloc are via oil tankers and ports. Up to 85% of imported crude oil from Russia is shipped from its western ports on the Baltic sea and the Black sea and in smaller volumes from its Arctic terminals, while the remaining is directly delivered through the Druzhba pipeline. In 2019, crude oil coming by pipeline accounted for 8% of the EU's total crude imports. The Druzhba pipeline supplies refineries in Poland, Germany, Hungary, Slovakia and the Czech republic.

The huge dependency on Russian oil saw Europe impose only a partial embargo on Russian oil. The

sanctions banned seaborne imports of Russian crude oil as of the 5th of December 2022, and ban petroleum product imports as of the 5th of February 2023. Pipeline imports of crude oil and petroleum products were made exempt, in a compromise with EU member states like Hungary, Slovakia, and the Czech Republic, which depend on imports via the Druzhba pipeline.

Natural Gas

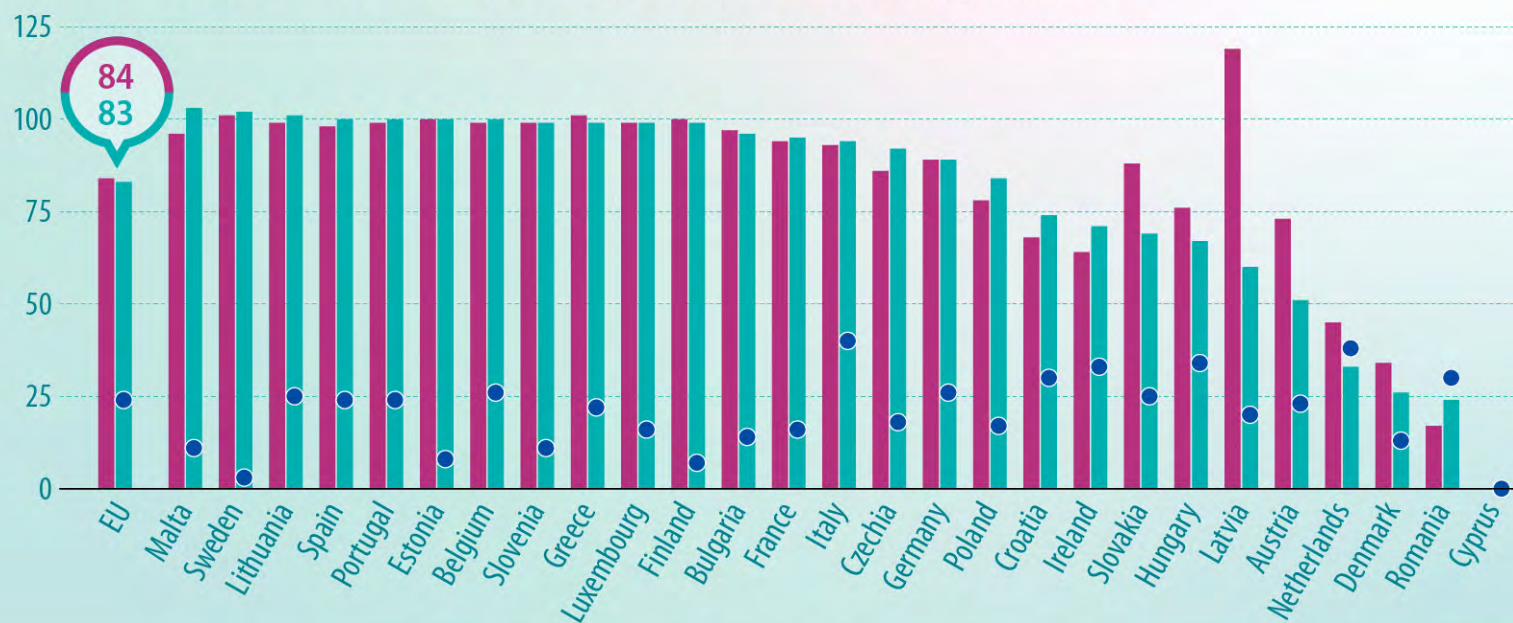
Europe's natural gas situation is not much better than its foreign oil dependency. Europe's natural gas production started to decline rapidly after 2010. In the 2000s, European gas production represented between 50% and 60% of Europe's demand. The largest producers were the Netherlands, Norway, and the UK. But over the past 10 to 15 years, UK natural gas production started to decline and earthquakes related to gas production in the Netherlands have accelerated the decline of the Groningen field's gas output, once the largest gas field in Europe. Europe is only able to produce 17% of its natural gas needs. 83% of Europe's natural gas needs are imported. Natural gas is used to power electricity generation and for residential purposes to heat homes. Once again, Russia supplies the lion share of the continent's natural gas at 43%, with Norway (21%), Algeria (8%) and Qatar (5%) making up the rest.

Like oil, dependence upon foreign natural gas differs in Europe. But in the case of natural gas Europe's heavyweight all have a major dependency upon natural gas imports and Russian imports in particular.

Natural gas import dependency, 2020 and 2021

(calculated in terajoules (%))

■ 2020 ■ 2021 ● Share of natural gas in the overall energy mix (2020)



Germany relies on foreign imports for 66% of its natural gas with Italy (54%), Netherlands (42%), France (41%) and Spain (28%).

With its vast Siberian fields, Russia has the world's largest reserves of natural gas. It began exporting to Poland in the 1940s and laid pipelines in the 1960s to deliver fuel to and through the satellite states of the Soviet Union. Since the breakup of the Soviet Union, Russian natural gas has come to be delivered to Europe through 12 pipelines, of which three were direct pipelines (to Finland, Estonia and Latvia), four through Belarus (to Lithuania and Poland) and five through Ukraine (to Slovakia, Romania, Hungary and Poland). In 2011, an additional pipeline, Nord Stream 1 (directly to Germany), opened. This pipeline as well as Nord Stream 2 are now offline. In 2003, Russia also exported gas to Europe via the Blue Stream pipeline under the Black Sea. Whilst the TurkStream pipeline went into operation in 2021.

We find a similar situation with coal, with half of EU consumption supplied by imports. Once again, Russia supplies 59% of European coal. Coal has however been declining as an energy source due to EU climate targets and with renewable energy replacing most coal powered plants on the continent.

Sanctioning Russian: Mission Impossible

Russia's invasion of Ukraine has seen the EU sanction Russian energy. Reducing energy dependency on Russia has for long been an EU goal, but due to the high level of dependency on Russian oil, gas and coal this was a long-term objective. Since Russia's invasion of Ukraine it has now become an immediate goal.

Europe has already done those actions that can be immediately done. This includes installing floating liquified natural gas (LNG) import terminals, reanimating old coal plants, preserving nuclear plants that

had been scheduled for decommissioning, switching many industrial boilers from natural gas to more fungible oil, and sending symbolic messages about reducing demand via cold showers and the dimming of lights. Europe's remaining near-term alternatives are now a brutal combination of more shutdowns, outright rationing, massive subsidies for citizens, and bailouts for industries. There is also talk of nationalising some industries. In the long term, energy diversification is a possibility and European countries are focusing their strategies on a range of regions as well as alternative fuel.

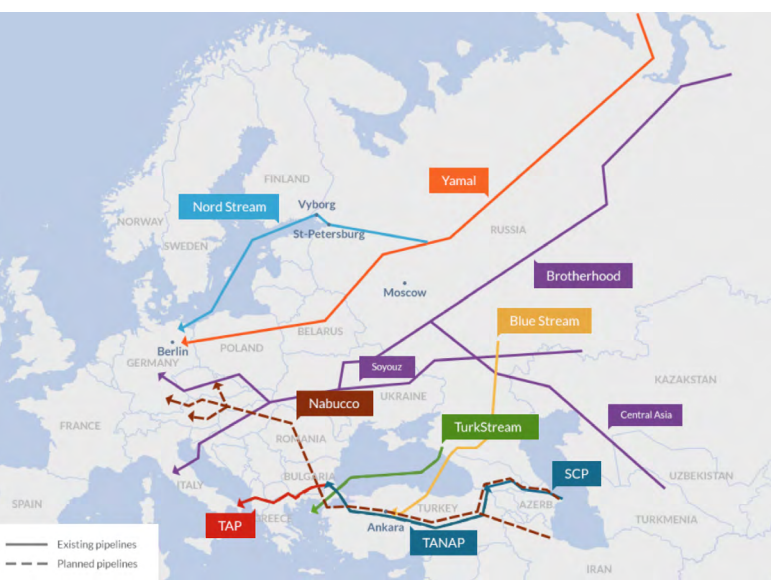
The Caspian Option

The Caspian region is particularly attractive to Europe because of its proximity and existing energy infrastructure, including pipeline networks. The Caspian Sea is one of the world's largest and oldest oil and gas producing regions. Like Russia, the post-Soviet countries located there used their energy resources to build up their economies, growing increasingly dependent on oil and gas exports in the process. European nations are already major purchasers of energy from Central Asia and the Caucasus. The EU as a whole is the largest buyer of oil from Kazakhstan. Turkmenistan could become an additional supplier especially with plans to increase supplies through the proposed Trans-Caspian Gas Pipeline, which could be connected to the TANAP and TAP systems. Azerbaijan also has key existing energy links to Europe, but it has for long been a transit country rather than a supplier. Azerbaijan could play a critical role in increasing gas exports to Europe, through the Southern Gas Corridor, which includes three pipelines. Expansion of exports through this corridor will require significant investment to increase the capacity of the pipelines.

The major challenge to Central Asian and Caspian energy is Kazakhstan, who is Europe's largest supplier in the region, the exports of which to Europe pass through Russia via the Caspian Pipeline Consortium network, giving Moscow significant influence over this trade. New routes will need to be developed to increase Kazakh oil supplies to the continent in order to bypass Russian territory.

African Energy

Africa's natural gas reserves are vast and North African countries like Algeria have pipelines already linked to Europe, but the lack of infrastructure and



security challenges have long stymied producers in other parts of the continent from scaling up exports. The Maghreb-Europe Gas Pipeline in Algeria, Africa's largest natural gas exporter, carries natural gas through Morocco to Spain and Portugal, and the Medgaz pipeline links Algeria directly to Spain. North Africa already has an established gas export market with Europe, even before the Ukrainian crisis. Other African nations such as Nigeria, Libya, Angola etc could increase energy sales to Europe but significant investments are needed to build trans-regional and intercontinental pipelines, in order to open up access to Europe. Whilst many African countries have large massive gas reserves they have also struggled to attract investment to build gas infrastructure projects to supply the European market.

Liquefied Natural Gas (LNG)

The US and EU announced a breakthrough deal: The "joint game plan" in March 2022 to wean Europe off Russian natural gas. The pact involves three steps. First, the US will help the EU secure short-term liquefied natural gas supplies to begin displacing Russian gas. Second, Europe will work "...toward the goal of ensuring..." a bigger market for US gas by 2030. Third, the US would help Europe accelerate its transition to clean energy, eventually reducing its gas demand. Russia currently exports 155 billion cubic metres a year of gas to the EU. The US said it would strive to add 15 billion cubic metres of liquefied natural gas to the EU by the end of 2022, with more in years to come

LNG price is very regional with significant price differentials. Currently, European LNG prices are much higher than the rest of the world, which has attracted US LNG exporters, but this in the long term is not sustainable with European consumers. The other major challenge with LNG as an alternative to Russian energy is that much of the LNG infrastructure is not in the right places on the European continent. Eastern Europe and Germany are most dependent on Russian gas. But most of the available LNG regasification infrastructure is in southern Europe. Germany has proposed building new terminals to receive LNG, or renting regasification vessels that can float offshore. Either way, the shift from pipeline dependency to LNG dependency will be expensive and take time. Shipments of liquefied natural gas, the chief alternative to piped-in gas from Russia for much of the continent, remains a costly alternative. And Europe's growing appetite for LNG may be hurting other

regions of the globe that rely on the fuel. LNG may fill Europe's energy gap in the short-term, but there is not enough LNG that can replace Russian gas for the moment.

Alternative energy such as renewables has been proposed as an alternative to Russian energy. Currently 17.9% of Europe's total energy comes via renewables, whilst 40% of the region's electricity comes from renewable energy. By global standards the use of renewable energy is already high in Europe which has been due to the EU's green goals. In the power sector, the EU can replace as much as 20 bcm of gas. This would require around 100 GW additional capacity, a significant growth compared to 37 GW solar and wind added in 2021.

“Europe will need to find a combination of nations, regions and alternative sources of energy. The energy transition is complex and there is no one solution”

At the end of 2022, there were 133 nuclear reactors in operation in Europe, with a net output capacity of 125,018 megawatts electric (MWe), with France the biggest user. Nuclear energy has long been a controversial topic in Europe because of the Chernobyl disaster. Safety fears remain one of the biggest barriers to the more mainstream adoption of nuclear energy. Another roadblock is the large-scale investment needed to build nuclear infrastructure. Europe has found it difficult to attract finance for nuclear plants. Greater investment could speed up the development of small modular reactors, which are cheaper and easier to develop and operate than traditional nuclear power plants.

Russia's long term supply of oil, gas and coal from its large energy fields led Europe to come to rely on Russian energy. The sheer size of Russia's energy supplies makes transitioning away from Russia a complicated affair as no other nation on its own can replace the volume of energy Russia provides Europe. This means Europe will need to find a combination of nations, regions and alternative sources of energy. The energy transition is complex and there is no one solution and the fact that Europe is trying to transition away from Russian energy dependency in one swoop makes this transition even more risky.



Germany's Strategic Dilemma

German Chancellor Olaf Scholz stood before a special session of the Bundestag to address Russia's invasion of Ukraine on the 27th of February 2022. "We are living through a watershed era. And that means that the world afterwards will no longer be the same as the world before,"²⁸ he observed. Scholz's speech proclaiming a *Zeitenwende*, or historic turning point, came at a moment of deep shock in Germany. The country was witnessing a total collapse of strategic principles that have driven the nation since World War 2.

Germany emerged from the ashes of World War 2 devastated and destroyed. The country was occupied by the US, France and Britain as well as the Soviet Union. Western Germany would eventually be established as a Capitalist nation, with the allies withdrawing their forces. The demands of the Cold War meant Germany needed to be a bulwark against the USSR rather than a colony. Germany, due to the demands of the allies and due to its own history, outsourced national security to the US. This allowed Germany to maintain a small military budget and use the proceeds to build its industrial machine. Even today the US maintains five out of its seven military bases in Europe in Germany and maintains 35,000 troops, despite Donald Trump's attempt to reduce this number. This military dependence on the US has meant Germany has struggled to forge an independent foreign policy and has been a regular feature in US coalitions around the world. The apex of this relationship has been the US providing Germany with its nuclear

umbrella as well as ballistic missile defence.

To keep Germany's industrial machine running it needed access to a regular and reliable supply of energy. The Soviet Union built the Druzhba (friendship) pipeline in 1963, one of the world's longest oil pipelines and one of the biggest oil pipeline networks in the world. This pipeline sent large volumes of oil to Czechoslovakia, East Germany and Hungary. From 1991 it would provide energy to Ukraine, Belarus, Poland, Hungary, Slovakia, the Czech Republic, Austria and Germany. After the collapse of the Soviet Union, Germany would be part of the Yamal-Europe pipeline that would provide natural gas to Germany from Russia's Siberian energy fields through Belarus and Poland. The Nord Stream pipeline, operational from 2011 would further provide large volumes of natural gas to Germany from under the Baltic Sea from Russia. This energy relationship has been a major factor in German-Russian relations. For Russia it meant it had a direct and unique relationship with a key pillar of Europe. For Germany it was the link in a chain that would lubricate German industry and provide large volumes of natural gas that was necessary to fuel this.

Throughout the 1990s from the Maastricht treaty to the launch of the euro, Germany would position itself as the ultimate cornerstone of the European Union. Germany would achieve through trade and exports what it had been unable to accomplish previously through war. EU enlargement has configured an

economic bloc whose territorial reach dwarfs that of the Holy Roman Empire and also swallowed most of the former Soviet satellite states. Under German leadership, the process of European integration has advanced from an economic space to a common currency, which is really a rebranded version of the Deutsche Mark.

For Germany, in the long run it has got the best out of the post WW2 order. It has a security guarantee from the US, therefore it's never needed to maintain a large military. It has a large stable supply of energy from Russia which keeps its industry churning out cars, chemicals and goods. It then has a market, despite being outside its borders acting as if its an internal market with no borders, free trade and no custom duties. These three strategic outcomes, not mutually exclusive, allowed Germany to become one of the largest economies in the world. But Russia's invasion of Ukraine now places Germany not just in a difficult position, but in a strategic dilemma.

Up until Russia's invasion of Ukraine, Germany called for restraint and even criticised the US for warmongering. Germany argued that sanctions should be a last resort and Russian concerns should be addressed. This all changed when Russia invaded Ukraine and thereafter Germany has got firmly behind the US. The problem Germany now faces is its vulnerabilities have been exposed and they are being taken advantage of. First, since Germany has effec-

tively outsourced its defence and national security to the nuclear umbrella provided by the US since the Cold War, it cannot autonomously address security challenges in its own neighbourhood. Therefore, the Germans have no choice but to follow Washington's strategic agenda even if that means that some German national interests are being disregarded. In turn, since Germany is not self-sufficient in energy, German industry is heavily reliant on the supply of Russian natural gas. Accordingly, Berlin's foreign policy cannot afford to alienate Moscow whether it likes it or not. Nord Stream 1 and 2 are now offline, possibly permanently. But getting rid of Russian energy supplies is problematic and the potential substitutes are imperfect, costly, and partial at best.

There is, in reality, nothing stopping Germany developing a nuclear weapons program, a stronger military and a more diversified energy infrastructure. Germany is an industrial powerhouse and has shown more than once in its history that it can quickly bounce back. Germany's challenge is political and requires her elite to think deeply about their future. For long they have seen Germany embedded into international organisations, sitting at the table with other powers quietly and not ruffling anyone's feathers. Germany can have either the American security guarantee or a wealthy industrialised economy; but it will not be able to enjoy both at the same time anymore



Global Economy



Is Globalisation Coming to an End?



When the Soviet Union collapsed in 1991 it brought an end to a bloc that posed a major obstacle to create a global market. After WW2 the victors wanted to create a globalised world, where there existed a global market for all to engage with. But Russia had other ideas and established its own bloc and stood as a major barrier for any global market. When the Iron curtain came down, globalisation entered the global lexicon. Globalisation was not a new idea, it had existed for centuries, but in the era of nation states globalisation – where obstacles to trade, tariffs and taxes would be eliminated – finally got its time. During the 1990s the US marched ahead to expand the global free market. The General Agreement of Taxes and Tariffs (GATT) became the world trade organisation and former Soviet republics would join the western led global order.

From the 1990s until the global economic crisis of 2008, economic integration rose to historically unprecedented global levels. It led to the rise of China and India and many developing countries dismantled trade barriers. Changes in technology – the shipping container and improvements in information and communication technology – also fuelled integration and led to the creation of global supply chains. The global economy grew to unprecedented highs and, statistically speaking, poverty fell significantly. Western corporations moved manufacturing to the far East and many of the world's premier brands, produced little in their home nations and relied upon global supplies of raw materials, workers, assembly lines and technology.

The global economic crisis brought to the surface the shortcomings of globalisation that had been developing for some time. A real estate crisis in the US in 2007 would spread to the rest of the world due to investment and finance being global. US industry would shift to China and lead to the decimation of America's industrial belt. Much of European and American manufacturing would shift offshore and eventually lead to the rise of the right wing in Europe and eventually Donald Trump in the US.

Donald Trump ran a presidential campaign on

'America First' which was to shift away from trade liberalisation and move toward protectionism. This saw the US withdraw from the Trans-Pacific Partnership. The Trump administration would impose tariffs on imports of steel and aluminium ostensibly on grounds of national security, prompting retaliation and the spread of trade barriers elsewhere. The Trump administration also initiated a trade war with China significantly reducing bilateral trade. President Trump's economic team equated economic security with national security and pursued their desire to rip up the supply chains that leave the US dependent on China. The tensions between the US and China have started a 'decoupling' between the world's two largest economies. The COVID-19 pandemic added to the momentum to the deglobalisation trend, especially when it became clear COVID protective equipment was at the mercy of global supply chains. The pandemic has reinforced concerns around the world that supply chains have gone too far. Export bans were imposed over concerns about inadequate domestic production of medical equipment, personal protective equipment, and pharmaceuticals.

The final nail in the coffin is now the US Inflation Reduction Act 2022 (IRA). Its measures include \$370 billion in subsidies and tax breaks for green investment. But a key condition for this is most of the supply chain for qualifying goods needs to be in North America. But Europe, with France in the vanguard, has framed the law as an illegal effort to poach cutting-edge and strategic European industries when the Continent is at its most vulnerable. European officials are threatening Washington with a trade war and a lawsuit before the World Trade Organization if it does not offer their industries benefits comparable to those available to Canada and Mexico.

For decades the US promoted global free trade in order to create an order that would serve its agenda. But over the years the US taxpayer saw jobs and industries move abroad and foreign companies get privileged access into the US market, at the expense of domestic US companies. The days of globalisation are now being replaced with economic nationalism and onshoring rather than offshoring.

Are CBDCs the Future



Ever since the global economic crisis back in 2008 literature on the possibility of digital currencies has proliferated. By 2016, announcements were being made by governments that digital currencies were “under consideration.” In the brief time since, the concept has caught on worldwide. Eleven countries have now launched Central Bank Digital Currencies whilst another eighty-seven nations are either researching or developing them.

Central Bank Digital Currencies (CBDCs) are an electronic form of cash issued by central banks for use on online or mobile payment platforms. They are not cryptocurrencies like Bitcoin, which are privately issued, anonymous and decentralised outside the control of any authority. China and Sweden are at the most advanced stage of pilot programs that are assessing implementation.

On paper, CBDCs would replace paper currency, eliminating the need for ATMs, credit cards and cash. You would be able to carry all your savings on your phone and according to some, all crime would end as any criminal would leave a trail of transactions for banks to monitor. Central banks would have the opportunity to phase out bank notes. Since all transactions would be digital, there will be no need for physical banks on the high streets as we know them. This also means depositors will no longer be able to store currency elsewhere. Even the smallest transaction would pass through the bank. Banks will therefore have the ability to decide which transactions a depositor is allowed to make, as the depositor may no longer have any alternative transaction capability.

Africa’s First Central Bank Digital Currency (CBDC).

In October 2021 Nigeria introduced its CBDC, the eNaira. On its first anniversary in October 2022 top government officials, company executives and central bank officials gathered to praise the digital currency that had more than 700,000 transactions worth \$18.3 million in its first year. With a GDP of \$450 billion and population of 211 million, that would be a resounding failure. Only 0.5% of Nigerian residents made use of the eNaira.

Only 1 in 200 Nigerians use the eNaira, which was the case even after the government implemented discounts and other incentives to increase adoption. But many Nigerians view eNaira as a symbol of distrust in the ruling elite and that the people view the government as hostile to them and therefore have no interest in anything it introduces. Nigeria has one of the highest Bitcoin adoption rates in the world, ranking 11th in the world. This is because Bitcoin bypasses the government’s capital controls that restrict the use of foreign currencies and sending and receiving money from abroad, a big draw for Nigerians, as it is in other countries with repressive policies. Nigeria has a long history of currency debasement including six devaluations in recent years. This has spurred the adoption of Bitcoin, which is also resistant to inflation.

Fiat Currency

Whilst CBDCs are being presented as the future of finance at their heart they are just a fiat currency. Money that has no backing at all. By digitalising money, new money can be created at will and at immense levels.

CBDCs and Bitcoin share some characteristics. They are both digital and facilitate fast payments from a mobile phone. But that is where the similarities end. CBDCs and Bitcoin are entirely different in the most fundamental ways. You need the government’s permission to use a CBDC, whereas Bitcoin is permissionless.

Governments can create as many CBDC currency units as they want. With Bitcoin, there can never be more than 21 million, and there is nothing anyone can do to inflate the supply more than the predetermined amount in the protocol. CBDCs are centralised. Bitcoin is decentralised. Central banks can censor transactions and freeze, sanction, and confiscate CBDC units whenever they want. Bitcoin is censorship-resistant. No country’s sanctions or laws can affect the protocol. There is no privacy with CBDCs. However, with Bitcoin, if you take specific steps, it is possible to maintain reasonable privacy. CBDCs are central bank money that are easy to produce and give central bankers as well as politicians a lot of control over people’s lives. On the other hand, Bitcoin is non-state money that helps free people from government control.

5 Things Russia's War has Changed



The war in Ukraine has now been raging for months and victory for Russia looks to be moving ever more distant into the future. Russia's inability to strike a decisive blow, the Western response of kicking Russia out of SWIFT and the raft of sanctions means we are truly in uncharted territory. Whatever the outcome of the war, there are several trends taking place that will impact the global order and global power for the foreseeable future. Some trends were already in motion with the Ukraine war now fast tracking them.

Where You Manufacture Now Matters

For decades the idea that cheap offshore manufacturing and a global supply chain would keep costs down for manufactures became the mantra of globalisation. Western multinational companies made use of cheap labour in places such as Vietnam, China and Bangladesh making themselves immensely rich, whilst the host nations in very few cases saw the benefits. Globalisation was already taking a hit when Donald Trump began attacking it in his presidency. McKinsey, the global consulting firm confirmed: *"The Ukraine war is part of a pattern of supply chain disruptions getting more frequent and more severe,"* pointing to the trade war between the US and China, the blockage of the Suez Canal last year, and the pandemic. All of these have focused attention on supply chain sovereignty and domestic production facilities.

The Ukraine war has highlighted the dangers of Europe's dependence on Russian energy and the demand for chips during the pandemic exposed the US and Europe's share of global semiconductor needs. BlackRock CEO Larry Fink told shareholders in a letter that Russia's *"...decoupling from the global economy..."* following its assault on Ukraine has caused governments and companies to examine their reliance on other nations. *"The Russian invasion of Ukraine has put an end to the globalisation we have*

*experienced over the last three decades."*²⁹

Russia is the 10th largest economy in the world, a major energy supplier and a nuclear power. By being integrated into the global economy, the US has been able to sanction it. But the countries that depend on Russian energy have a bigger problem as there is no immediate solution to their energy problems. Much of north Africa has for long depended on Russian and Ukrainian wheat, when places such as Egypt should have developed their own breadbasket. Now Egypt is teetering on the brink as the surging price of food and underlying economic problems have come home to roost. Having a global supply chain is now a liability rather than an asset.

Holding the Dollar is a Liability

Russia has never been short of mineral resources and as a result Russia is the world's largest oil producer after the US and Saudi Arabia. It is also the world's largest producer of gas after the US and the 3rd largest wheat producer. This has brought immense wealth for Russia, allowing it to build up reserves of \$630 billion. Russia has largely taken payment for exports in the euro and dollar and over half its reserves are held abroad in foreign currencies.

But in one go, much of Russia's money became useless due to sanctions and Russia being kicked out of SWIFT. Holding money abroad and holding it in the dollar has become a huge liability for Russia now. The US has for long been weaponising the dollar and both China and Russia have for long been on the receiving end, along with North Korea and Iran.

It was not long ago that Russia had warming relations with the West. London even earned the nickname "Londongrad" as it became a hub for Russian money since the collapse of the Soviet Union. But all of

this changed with Russia's invasion of Ukraine and whether it was London, Berlin or Paris, they all threw Russia under the bus and joined the US in sanctioning the country.

Much of the Sovereign Wealth Fund (SWF) cash of the Gulf states and Saudi Arabia are invested in the West. Many of the rulers of the "third world" have for long syphoned their wealth off to Swiss banks and offshore banks, and all of this can be rendered useless at the click of a mouse button if such nations fall out of favour with the West. They may all be in good relations currently, but this can change overnight as Russia is now realising.

The "Western" led Order

Russia is being accused of contradicting the global rules based order by interfering in the national sovereignty of another nation. The global rules based order has become a value system in itself and all the countries in the world are expected to abide by the rules of the order.

The order was founded after WW2 by the US who emerged as the last man standing. The order that consists of economic, monetary, financial and trade institutions also includes the UN for international law with NATO for security. The liberal order with its union of democracies has always been a western order with values that originate in the West and are in essence to serve the West. The institutions have been used primarily by the US and the West to impose their national interests over the rest of the world.

This is why there has been so much inconsistency as the order serves the western agenda, rather than some global agenda. The US threw aside the UN and international law when it invaded Iraq back in 2003. This order has looked on as Yemen is bombed by Saudi Arabia, Russia bombed Syria and the multiple French interventions in Africa. The liberal order only moves when western interests are at stake, whilst it looks on when their interests are not at stake. In the case of Russia, the order did little when Russia invaded Chechnya, Georgia and Syria, but now it moved when Ukraine was invaded.

US Security Guarantees Mean Little

For many nations and regions, the US has promised security guarantees. Germany and Japan have never developed nuclear weapons as the US has guaran-

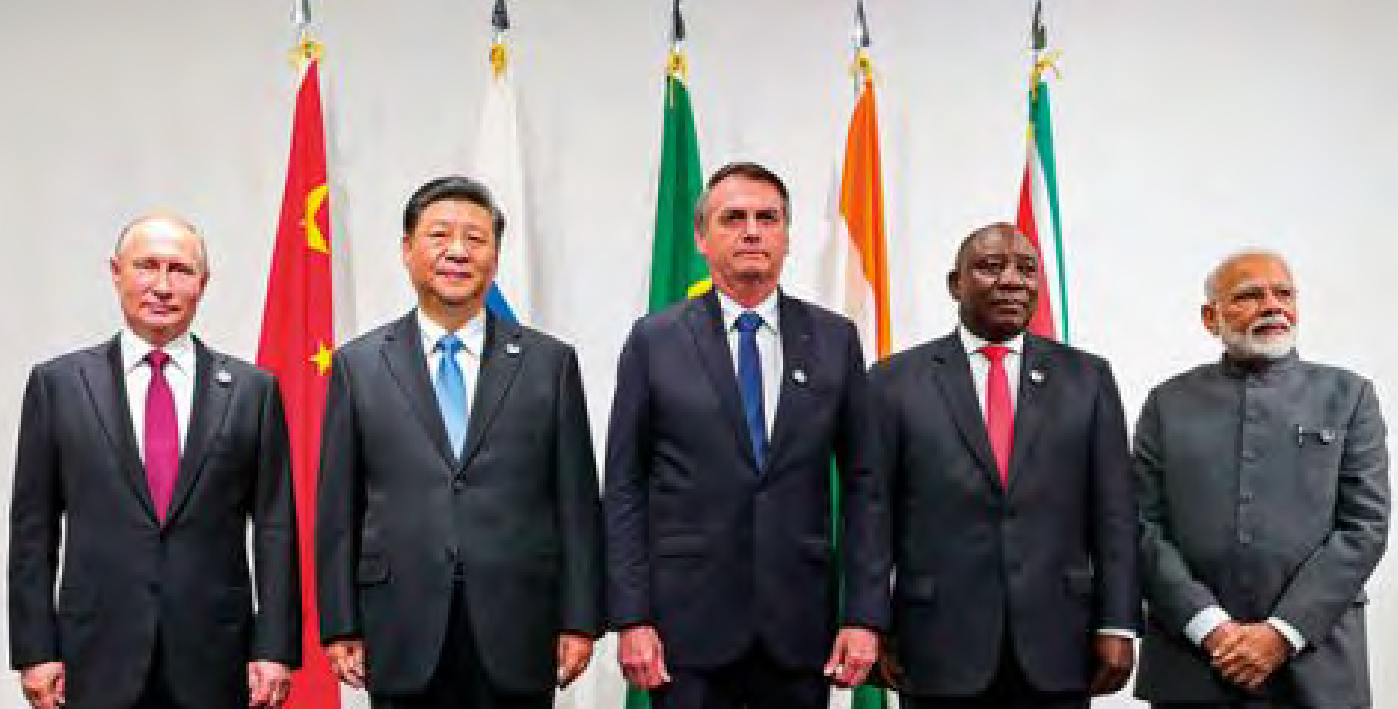
teed their security. Taiwan, South Korea, Poland and Australia have US security guarantees and hope the US will intervene in their time of need. But the debacle of Afghanistan in August 2021, where those that aided the US in its two decades occupation were abandoned is leading many to reconsider US security guarantees. In the case of Ukraine, despite offering security guarantees the US, the West and NATO do not have the stomach for intervening militarily. The Ukraine president continues to ask for no fly zones, which the West refuses to implement. Western security guarantees do not mean what the Ukrainians believed they would. The West always promised they would protect Ukraine in any Russian aggression, just not in the way the Ukrainians believed.

"In a strange twist of fate, the reason NATO refuses to implement no fly zones or physically intervene is the fact that Russia possesses nuclear weapons, proving in the end that possessing nuclear weapons does matter."

In the end, Nuclear Weapons Do Matter

Ukraine is learning the hard way what denuclearisation means. Ukraine in early 1992 was the third biggest nuclear power as it possessed a third of the Soviet union's nuclear arsenal. Ukraine agreed to give up its nuclear arsenal and from 1996 and 2001 it either destroyed its arsenal or transferred nuclear material to Russia. Ukraine's decision to give up nuclear weapons was after extensive deliberations with the US and Russia, and hefty security assurances by the three original Non-proliferation Treaty (NPT) powers — the US, Russia, and UK — and by France and China, as well. Now, with invading Russian forces inside Ukraine's borders, many Ukrainians are wondering whether it had been a mistake to denuclearise.

Moammar Ghaddafi of Libya and Bashar al-Assad of Syria have learnt the hard way what can happen if you give up your WMD programmes and Ukraine has joined this list of nations that gave up their WMD programmes only to be invaded. In a strange twist of fate, the reason NATO refuses to implement no fly zones or physically intervene is the fact that Russia possesses nuclear weapons, proving in the end that possessing nuclear weapons does matter.



BRICS – All BRICS and no Mortar?

News that a slew of new nations are considering joining the BRICS organisation has given a new lease of life to the organisation of developing nations. Egypt, Iran, Saudi Arabia, Turkey and Argentina have either applied to join the BRICS, or are considering doing so. So should the western liberal order be worried?

In 2001, Goldman Sachs analyst Jim O'Neill came up with the term BRIC in order to refer to countries poised to drive growth in the 2000s. He came up with the BRIC for Brazil, Russia, India and China. The group adopted a capital S when South Africa joined in 2010. At the time the countries had little in common beyond their economic futures. The BRICS were originally identified for the purpose of highlighting investment opportunities and had not been a formal intergovernmental organisation. Since 2009, they have increasingly formed into a more cohesive bloc with annual summits coordinating multilateral policies.

Today the five BRICS nations constitute about 42% of the global population, 30% of the world's territory, 23% of global GDP and 18% of global trade. The BRICS are considered the foremost rival to the G7 bloc announcing competing initiatives such as the New Development Bank, Contingent Reserve Arrangement, BRICS payment system, and BRICS basket reserve currency.

As the years have gone on the BRICS nations made the most of presenting themselves as an alternative to the global order and many are excited at the prospect of a challenger to the western liberal order. The

group has asked for certain changes to the global financial system. These include a call for the International Monetary Fund (IMF) to expand its use of Special Drawing Rights (SDRs), which is used as a quasi currency to transfer funds between member governments. The BRICS has also called for a broad-based international reserve currency system.

Despite being called the world's developing countries all the constituents of the bloc are different militarily, economically and socially as well as where they are in their respective stages of development.



Brazil has traditionally exported commodities and minerals to the US and Europe, but Chinese demand is changing the equation for Brazil's agriculture. This has resulted in China becoming its number one import partner, which in turn has led to cheap Chinese goods flooding the Latin American nation at the expense of its own industries.




Russia is a largely commodities driven nation with extensive reserves of the world's key minerals and resources. Russia is the largest global exporter of most of the commodities needed for industry. But with the invasion of Ukraine the nation has been placed in a perilous situation.



India, whilst still early in its development is a global leader as a provider of services. Unlike Brazil and Russia, which have built their economies on commodities exports India has transformed from an economy that was dominated by agriculture to one where the service sector generates half of the nation's

wealth. India for the moment has failed to become a mass manufacturer like the other BRICS countries and as a result still imports much of its manufactured goods from China.

 China in a matter of decades has become the world's factory, producing the world's textiles and electronics. China is a global export powerhouse, but also a huge consumer of energy.

 South Africa exports range from mining commodities, such as platinum, gold, diamonds and coal, to agriculture and manufactured goods. These are mainly to European markets. But South Africa is located far from global markets and there are other suppliers of South Africa's exports.

The BRICS have historically been united in their collective rebellion against the existing economic and financial order, but there are major differences within the bloc. China and India are at war in the Himalayas. The economic links between the BRICS members are also not of equal strength: Brazil, Russia, India and South Africa are all much more closely tied to China than they are to each another.

The relationship of each of the BRICS nations with the US, the world's superpower, is strong enough and has acted as a wedge between most of the members with the others. Each nation also has its own bilateral relations with the US which weakens the bloc. What this bloc however does allow for is for each nation to deal with the others outside the international order, giving an appearance of a new coalition of nations standing apart from the US and the West. The new members who are all considering joining BRICS such as Egypt, Turkey and Saudi Arabia are very close to the US and could lead to the emergence of a faction within the BRICS, if they do ever join.

BRICS is always compared to the G7, but there is little these two have in common save the BRICS wants to be seen as an alternative to the western led G7 nations. The G7 is based upon western values of free markets, globalisation and national sovereignty. The BRICS nations have no such ideological alternative aside from they disagree with the values the G7 and liberal order is based upon. They have for the moment not been able to present an ideological alternative for the world to subscribe to.

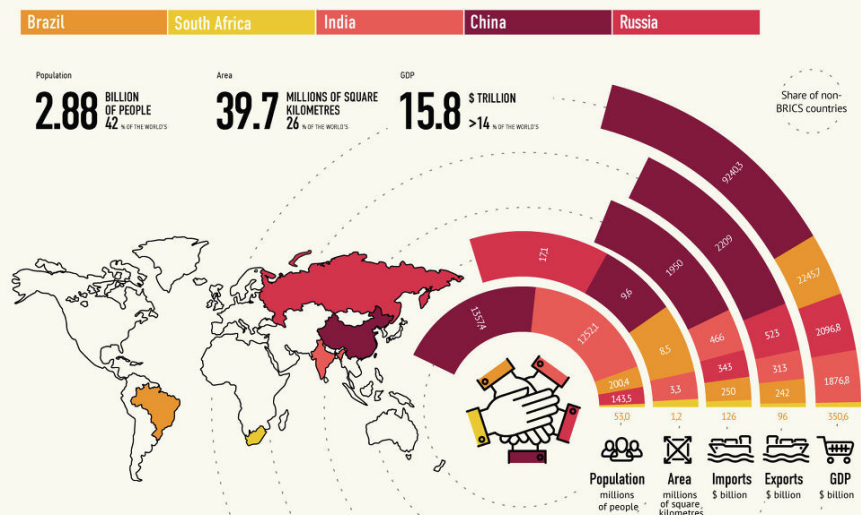
On the political front the BRICS continue to

criticise the western led order and propose alternative currency, development and financial order. But the organisation is hampered by the fact that the five economies have very little to do with one another, with little commonality of purpose. While China and Russia would both like the BRICS to become the anti-G7 that rallies the emerging world in opposition to the "hegemonic" West, both India's Narendra Modi and South Africa's Cyril Ramaphosa flitted from their screen-based BRICS summit in June 2022 to the Bavarian Alps to participate as observers at the G7 summit. For Modi, it was his third G7 summit, which he sees as testimony to India's status as a great power.

The G7 had moved to place a wide spectrum of sanctions on a major BRICS member, Russia. The BRICS response was Brazil voting to condemn Russia's attack on Ukraine at the UN vote in March 2022, the other BRICS members stalled for time and avoided choosing sides. They have taken advantage of Russia's willingness to do business, while staying open to Western trade and investment. India has increased purchases of Russian energy, but it also attended the G7 and restarted trade talks with the EU. South Africa typically aligns with Russia, but it too attended the G7, where it discussed energy projects with Germany. In reality the BRICS nations were unable to help or stand as a bloc to the Western led G7.

For the moment BRICS remains a platform for powers such as China, Russia and India to satisfy and increase their commercial interests, through any means necessary regardless of diverse political interests that each of them possesses. The fact that there is no formal application process to join BRICS, aside from receiving unanimous backing from all existing BRICS members, is very telling that the BRICS is a loose and informal gathering of developing nations, despite the rhetoric.

BRICS: numbers and facts







Can the British Monarchy Survive?

After celebrating her platinum jubilee six months earlier, Buckingham Palace released a statement that Queen Elizabeth II died in Scotland on the 8th of September 2022. An official mourning period of ten days was announced for the United Kingdom and the Commonwealth realms. There was an outpouring of emotion and condolences from around the world with many seeing Queen Elizabeth II as a consistent figure in UK politics. The Royal House of Windsor is today the longest serving royal family and Queen Elizabeth II was the longest serving monarch, her reign spanned 15 prime ministers, starting with Winston Churchill and ending with Liz Truss. As the second Elizabethan era came to an end the King Charles III era began. The job of the British Monarchy is not what it used to be despite thousands of years of history, but the Royal Family provides an attractive national symbol for the UK as well as a steady hand in times of fractious and unpopular governments. The biggest challenge for the Royal House now, aside from its many regular embarrassments, is not just preserving its legitimacy, but how an archaic mediaeval institution remains relevant in the modern world.

What is the job of the royal family? For some, the job of the Royal Family is to prop-up an unfair system in order to distract the people from the real conditions of their lives with pageant and ritual. For others, the monarchy is a symbol the British can unite around who also provides stability and is a guide to the government. Yet for some others, the modern monarchy is a form of soft power, offering an attractive national image to the world and appealing to foreigners, to

visit as tourists. The most recent members, such as Kate Middleton (the Duchess of Cambridge) and Meghan Markle (who was the Duchess of Sussex until she gave up her royal title) into the Royal Family have been seen by many as a soft power triumph for Britain.

The Long History of Royalty

There are records that go back 5000 years about kings and queens and in that time the role and duties of royal families has varied. A common theme among monarchs throughout the ages is their claim they are closer to god than anyone else, so they understand what god wants from the people better than all others. The monarchs throughout the ages sold this to the masses in different ways. Alexander the Great used his conquest of the Persian Empire in 323 BC to propagate that he had achieved what no mortal could. He would go on and order the Greeks he had already conquered to worship him as divine. Within a generation, godlike kings were accepted all over the Greek world. The ancient Egyptians Kings believed they were god incarnate, whilst King Uruinimgina of Lagash, in what is now southern Iraq around 2360 BC, pledged to protect his subjects against violence and mediate between them and the gods, in return for their obedience.

Christianity has been the foundation of royal power for well over a millennia. The history of royalty consists of conflict, coups, beheadings, oppression and the odd popular monarchs. It consists of conflicts

between monarchs and priests who headed religious institutions and in many cases priests or religious officials even decided who was king. Much of royal history comes down to deals between monarchs, priests and politicians.

The Long Royal Retreat

Medieval European history consists of monarchs dominating large swaths of the continent in cahoots with the Christian Church after the collapse of the Roman Empire in the 5th century. Following Viking raids and settlement in the 9th century, the Anglo-Saxon kingdom of Wessex emerged as the dominant English kingdom. Alfred the Great secured Wessex, achieved dominance over western Mercia, and assumed the title “King of the English.” His grandson was the first king to rule over a unitary kingdom roughly corresponding to the present borders of England. These Anglo-Saxon monarchs converted to Christianity as god made kings and only the pope in Rome could say what god wanted. The Archbishop of Canterbury, god’s man in England, could anoint a king with holy oil, raising the king above everyone else. From this time until the middle of the 17th century the British Monarchs ruled supreme.

Even before the reformation reached the English shores and Henry VIII tried to break free in the 1530s by appointing himself head of an independent Church of England, a long process of royal retreat was underway. It would begin with the Magna Carta in 1215. It tried to make peace between the unpopular king and a group of rebel barons. It would restrict some of the powers of the monarch’s arbitrary authority, even after it was torn up by the King and not accepted by the Pope. A Lord Mayor would strip the monarchs of England of power over the City of London, the square mile and financial district in central London. The City has never been part of England or London. It is not subject to the Sovereign, neither is it under the rule of the British Parliament. The City would play a key role in funding the expansion of European colonialism and opening up the world and would turn Britain into a global superpower. In 1714, a Bill of Rights would rob royalty of the “...power of suspending the laws or the execution of laws by regal authority without consent of Parliament...” and that of “...levying money for or to the use of the Crown without grant of Parliament.”

By the end of the 18th century the abandonment

of the British monarchy in America and the bloody revolution in France in 1789 had given monarchies a bad name. Democracy, representative rule and nation states were all the rage. The world was changing and monarchies were seen as a thing of the brutal past.

National Symbol

At the beginning of the 20th century most of the major monarchies and dynasties in the world were overthrown. The Qajars in Iran, the Qing in China, the Habsburgs in Austria and the Hohenzollerns in Germany all came to an end. The British monarchy adapted and remade themselves. Queen Victoria was from the German Royal House of Saxe-Coburg and Gotha and her eldest son, King Edward VII, took the name of the family’s regular summer residence in the western suburbs of London – Windsor, in 1917, due to anti-German sentiment during WW1.

“The Royal Family came to form British soft power in an era where Britain’s hard power was in decline. The Royals’ role entailed regular travel to the Commonwealth and beyond giving medals, British Empire titles and attending ceremonies and sports events as a symbol of British power.”

The decline of Britain as a global power after WW2 would give the Royal Family a new reason for its continued existence. British officials used all the pageantry around the Royal Family as a means to market Britain around the world and in theory the Queen was the head of state for a number of nations and territories. The Royal Family came to form British soft power in an era where Britain’s hard power was in decline. The Royals’ role entailed regular travel to the Commonwealth and beyond giving medals, British Empire titles and attending ceremonies and sports events as a symbol of British power. As the post-WW2 era wore on those who associated national symbolism with royalty were being outnumbered with a new generation that never saw the Pax-Britannica days and came to not associate with royalty.

The late Queen herself admitted as the 21st century began she was struggling to keep the Royal Family relevant in a new age. What didn't help was her relationship with Princess Diana who came to eclipse The Queen's popularity in the 1990s. Her silence for five days after Princess Diana's death in 1997, saw a large rise in sentiment for the abolition of the monarchy. It would take a decade to fix the monarchy's reputation with a carefully crafted marketing campaign that utilised the younger royals to build a new image of a modern Royal Family with Prince William and Prince Harry leading the way. Public support remains high and stable in support of the British monarchy. Sixty percent of the population has for decades believed the monarchy is a source of pride for the country. Public opinion for the abolishment

of the monarchy has remained around a quarter of the population and is mainly amongst the under 25s.

Queen Elizabeth was able to keep the monarchy relevant as she adapted and found a role for the royals as other monarchies were either abolished or violently overthrown. British politicians as well as Britain's ruling class see the Royal Family through an economic and a soft power lens that brings credibility and tourists to the UK. Queen Elizabeth was able to continue a medieval tradition providing an image of pride, unity and national identity for the UK. But with the Queen's passing and as King Charles takes on the role of the sovereign, the British monarchy faces the huge challenge of keeping the medieval and hereditary institution relevant.





The Battle for a Hindu Rashtra

India's credibility as the world's largest democracy is increasingly being questioned by political observers, especially after the 2014 election victory of the right wing Bharatiya Janata Party (BJP) and its charismatic leader, Prime Minister Narendra Modi. His re-election in 2019 by an even larger electoral majority has set into motion a chain of events that threaten to derail the country's rise as a model liberal democratic nation. The BJP is being seen as dismantling one of the major pillars of the western led liberal world order.

Numerous polls have shown Modi's support and popularity across India's majority Hindu population cutting across caste and regional divides, with no leader from any other political party, including the Congress coming close. The idea of a Hindu Rashtra nation, precedes modern India and has now been monopolised by right-wing Hindu nationalists, who see it as a way to return hinduism to a dominant position.

Hindu Nationalism

The BJP is the political wing of the Rashtriya Swayamsevak Sangh [lit. "National Volunteer Organisation"] (RSS), formed in 1925 by a Hindu ideologue K.B. Hedgewar with the objective of "...reviving the Hindu religion" by providing an ideological drive to turn India into a "Hindu Rashtra" (i.e. a Hindu nation).

While the movement and its literature is at pains in

laying out a detailed politico-socio-economic vision of what a Hindu Rashtra might look like, the organisation drew inspiration from Nazi Germany and take lessons from the the "achievements" of Adolf Hitler in pursuing its goals. The RSS criticised the All Indian National Congress (INC) who saw a future India for "Indians", rather than Hindu majority. The RSS criticised the INC for working with Muhammed Ali Jinnah and even allowing a Muslim to be part of the independence movement. After India's independence in 1947, the important political figures who had led the freedom movement modelled the new nation along secular democratic lines, taking clear inspiration from Europe to design a constitution which declared India as democratic, secular republic, much to the ire of the RSS.

The Jan Sangh (aka. Akhil Bharatiya Jana Sangh, the precursor to today's BJP), a political arm of RSS was established soon after independence as the RSS believed that the objectives of the organisation could only be achieved by seizing the authority one day. Jan Sangh fought elections with their vote share increasing with every election until it merged with the Janata Party and formed its first government in 1977, 30 years after Independence. The Janata Party did not live long, popular disenchantment with political in-fighting and ineffective government led to the resurgence of the Congress Party, which won the general election called in 1980. The original Janata Party fragmented and dissolved, giving birth to the Bharatiya Janata Party (BJP).

The BJP gained its popularity from the Ram Mandir movement launched with claims of restoring the Babri Masjid (built by the Mughal Emperor Babur in 14th century) to a temple where the Hindu deity was alleged to have been born. Its then leader L.K. Advani toured the country motivating people to gather in Ayodhya at the mosque site. This culminated in the events of the 6th of December 1992, where mobs descended on the disputed site demolishing the mosque leading to an orgy of violence across the country with estimates of around 1,000 Muslims deaths.[30] The incident finally helped the BJP gain national prominence in a country where the political landscape had been dominated by the centre-left leaning Congress Party headed by the Nehru-Gandhi Family. Political observers of India mark this period as the launch of right-wing politics from being a fringe movement to occupying national prominence and acceptance.

With failure of Congress Party's socialist economic model in addressing the economic and cultural anxieties of the people (India has traditionally been a deeply conservative nation with secularisation considered to have been forced upon by a tiny liberal elite who took inspirations from the European Renaissance ideals), this provided a perfect opportunity for the rise of right-wing politics.

Globalisation

The collapse of the Soviet Union in 1991 saw India lose its main economic patron and the ruling Congress Party's turn towards the US and instituted free market "economic reforms", opening up India's huge market to US multinationals. This led to a decade of high economic growth with claims of India being the next economic powerhouse rivalling the growth of China.

Western governments increasingly started to see India as a huge market for their goods and services, a low cost labour supplier to support their hi-tech industry and an ally to be leveraged in countering the rise of China. But, the short lived economic boom led to increasing inequality in the country with corruption reaching epidemic levels. The perception of Congress Party having caused increasing corruption gave rise to popular anger against the ruling Gandhi family. The BJP as part of a wider National Democratic Alliance (NDA) were able to win the 1998 elections and Atal Bihari Vajpayee became Prime Minister along with L.K. Advani became Deputy

Prime Minister and Home Minister.

Gujarat

The BJP failed spectacularly in the 2004 elections. They even called for the elections six months early expecting a triumphant victory only to lose to Congress and see the emergence of Manmohan Singh as Prime Minister. This period saw the emergence of Narendra Modi, who was a party worker in Gujarat. It was this period that led to his rise in national politics.

Prior to becoming the Prime Minister in 2014, it was under Modi's earlier tenure as Chief Minister (CM) of Gujarat that large scale riots took place, leading to the killing of 2,000 Muslims. The anti-Muslim pogrom of Gujarat had established Modi as a staunch Hindu nationalist who was unapologetic about his opinions towards Muslims leading to his increasing popularity in the largely Hindu country.

The 2014 General Election was considered the emancipation of Hindu nationalist voters. Combined with the economic mismanagement during Congress rule, this translated into an emphatic win for the BJP with an absolute majority leading to Modi becoming the prime minister. Even with the widely criticised economic "blunders" of demonetisation, bungled General Sales Tax rollout and deteriorating law and order situation concerning Muslims during his first term, Modi's popularity kept on soaring, leading to a comfortable landslide win in the 2019 General Elections earning him a second term at office.

Second Class Citizens

Modi's first term was marked by the passage of widely criticised Citizenship (Amendment) Act, 2019, which was apparently providing refuge to prosecuted non-Muslim minorities from neighbouring nations, but was seen as aiming to strip away citizenship of its Muslim population.

Modi has struggled to manage the economy and deliver on the numerous promises he made. COVID-19 made the already precarious situation worse, leading to negative GDP growth, rising unemployment, mass poverty and inflation. Modi has been successful in keeping his right wing voter base happy with increased harassment of Muslims through well planned and carefully orchestrated cycle of events around cow protection and "love jihad" (Hindu's fear of Mus-

lim conversion leading to violence against Muslims in public lynchings and riots), all of which is being cheered on and led by increasingly bellicose national and regional TV channels.

Reporting on increased anti-Muslim violence, a BBC report in September 2021 highlighted *“During Mr Modi’s first term in power, there were numerous incidents of Muslims being attacked by so-called ‘cow vigilantes’ over rumours that they had eaten beef, or that they were trying to smuggle cows – an animal many Hindus consider holy – for slaughter.”*³¹ The Hindustan Times report in 2017 *“Muslims were the target of 51% of violence centred on bovine issues over nearly eight years (2010 to 2017) and comprised 86% of 28 Indians killed in 63 incidents, according to an IndiaSpend content analysis of the English media.”*³² An analysis of violence by the ORF think tank of mob violence and public disorder between January 2011 and June 2017 shows that cow-related violence has spiked up dramatically from 5% of the total incidents (of Lynching or Public Disorder) to over 20% by the end of June 2017.³³

Critics say since Mr Modi’s return to power for a second term in 2019, the anti-Muslim violence has expanded in its scope with violence taking a more subtle, insidious form that appears aimed at vilifying and demonising the minority community. The Indian Supreme Court ruling in 2019 that enabled the construction of a Hindu temple on the site of a 16th century Babri mosque destroyed more than two decades ago by Hindu mobs added to the victories of the Hindu right.

In recent months, several states have introduced laws to curb “love jihad”, an Islamophobic term Hindu right wing uses to imply that Muslim men prey on Hindu women to convert them to Islam through marriage, with the laws being used to harass and jail Muslim men in interfaith relations with Hindu women. Muslim women have also not been spared with many targeted by being put up “for sale” online by right wing supporters of the government.³⁴ The state of Karnataka passed a law banning school and college girls from wearing the hijab, effectively blocking them access to educational institutions. Many states are expected to follow suit.

Whether it is abrogation of Article 370 and 34A that provided special status to Kashmir or Citizenship Amendment Act 2019, Muslims are a prime target in a nation transitioning into a Hindu Rashtra at an

even increasing and alarming pace.

Hindu Rashtra in the 21st Century

Even though not officially a Hindu Rashtra (nation), the RSS project is seen to be nearing fruition with the increased marginalisation of Muslims effectively turning them into second class citizens. The French scholar of India, Christopher Jefferlot in his recent book – *Modi’s India*, has shown how Modi’s government has moved India towards a new form of democracy, an ethnic democracy that equates the majoritarian community with the nation and relegates Muslims and Christians to second-class citizens who are harassed by vigilante groups.

The trends of recent years show ever increasing dominance of majoritarian politics. Many Muslims already believe that they are living under Hindu totalitarian regime and it’s here to stay. Intellectuals and pundits have been discussing what changes this ethno-religious democratic structure will bring and how long India can maintain its image of a functioning democracy.

The rise of Hindutva is seen as a continuation of the trend of rise of the global right, whether in France, the US and Europe. Though COVID-19 and the economic problems may have thrown a spanner in the BJP’s march towards an official “Hindu Rashtra,” another challenge that remains is India’s need on the global stage by the US to maintain her global order and take on China. For the moment the Hindu Rashtra rhetoric has been only for domestic purposes. On the foreign policy front, India maintains a foreign policy that consists of foreign markets, nations with mineral wealth and its clashes with Pakistan. For the moment the RSS faces little political challenge from India’s other organised political parties.





The Middle East, Sports and Politics

Human rights groups describe Gulf sport investments as “sportswashing.” But the Gulf Nations claim their sports investments are part of their plans to diversify their economies away from fossil fuels. At a news conference for the new Saudi-funded LIV Golf league a reporter asked Phil Mickelson: *“Isn’t there a danger that you’re also being seen as a tool of sportswashing?”*³⁵ The term “sportswashing” is a relatively new term, but the strategy it represents has been employed by governments around the world, in some form or fashion, for over a century. “Sportswashing” is the practice of using sports to improve one’s tarnished reputation, through hosting a sporting event, the sponsorship of sporting teams or by participation in a sport itself.

The nations that make up the Gulf Cooperation Council (GCC) have been making huge investments in sports for the last decade, this includes the 2022 FIFA World Cup in Qatar; the UAE’s sponsorship rights for several football teams that include Arsenal, Real Madrid and Manchester City; Bahrain’s sponsorship of Spanish and a Parisian team to Saudi Arabia’s purchase of Newcastle United and hosting of the boxing match between Anthony Joshua and Andy Ruiz at a cost of \$50 million in 2019. But Saudi Arabia’s Public Investment Funds establishment of a new golf league called the LIV Golf Invitational Series in 2021, as a rival to the Professional Golfers’ Association (PGA), based in the US, has seen many to claim the Gulf Nations are trying to sportswash their human rights records. The PGA suspended the

membership of players who signed up to participate in the new league, whilst Europe’s DP World Tour fined and sanctioned members who took part. The most famous defector, Phil Mickelson, admitted that the Saudis have a terrible human rights record but said this was a *“once-in-a-lifetime opportunity to reshape how the PGA Tour operates.”*³⁶ Human rights groups described players who have signed contracts with LIV Golf as “willing stooges of Saudi sports-washing.” But the Gulf Nations claim their sports investments are part of their plans to diversify their economies away from fossil fuels.

Bread and Circuses

The Romans utilised entertainment (circuses) to deflect their citizens’ attention away from the declining economic standards of the empire. In the Middle East, most of the nations present today are artificial creations of Britain and France and in the Arabian Peninsula the monarchies today had for centuries engaged in petty wars amongst each other. The British Empire rewarded the tribes who worked with them to secure Britain’s supply route to India and who also collaborated with them to overthrow the Ottomans, with their own new nations. The Post-WW2 situation created many challenges for these new states from Arab nationalism to the rise of Gamal Abdel Nasser, with the infiltration of Western ideas due to Western energy companies setting up in the region in order to bring the region’s new found oil and gas to global markets.

In Saudi Arabia the tensions between King Saud and Crown Prince Faisal saw rising demands to transform the Kingdom into a constitutional monarchy. In 1956, Saudi created the Saudi Arabian Football Federation, which today has more than 150 football clubs. It was set up back then to deflect the public attention away from politics. Just like the Romans, they wanted to use football as a diversion. Two annual football tournaments, the Crown Prince Cup in 1956 and the King Cup a year later, were established for this.

However, it was the Arab Spring in 2011 that really worried the Saudi monarchy. Uprisings in Yemen and Bahrain and the possibility these could spread to the Kingdom saw them dramatically increase funding for sporting events. King Salman and the Crown Prince, Muhammed bin Salman (MBS) created the Saudi Super Cup and the Prince Muhammed bin Salman League to add to the growing list of major football events in the Kingdom.

Regional Rivalries

Whilst the Gulf Nations have been marketing their investments as economic opportunities to diversify their economies, the undeniable fact is that all the Gulf Nations have long-standing and deep rooted rivalries amongst each other. The GCC when it was launched in 1981, amongst its aims was regional integration. But the historical rivalry saw them continue competing with each other. When Saudi Arabia invested in oil refineries the other Gulf Nations built similar facilities, even when economically they would never make a profit due to their small populations. This competition in the region eventually spread to building ports, luxury airlines, international airports, universities and now sports.

Qatar's Aspire Zone, a 250-hectare sporting complex in Doha and its 2010 victory to host the 2022 FIFA World Cup, triggered intense competition from Saudi Arabia and the UAE as Qatar was attracting global attention and both nations then began making huge investments in the sports world. Abu Dhabi via its Sovereign Wealth Fund and Dubai through Emirates Airlines, as well as the national carrier, Etihad acquired some of the world's most lucrative football teams in the world. Saudi Arabia on the other hand launched an ambitious sports policy around its NEOM City project, a huge initiative under construction that features a modern new city with an ultramodern sports city. Just last year, Saudi Arabia

acquired Britain's Newcastle United with Saudi Minister of Sports Abdulaziz Bin Turki saying, "*The sky's the limit when it comes to hosting sports events.*"³⁷ Saudi officials have also proposed holding the FIFA World Cup every two years in the Kingdom.[38]

Sportswashing?

Western media outlets and human rights groups accuse Saudi Arabia of using sports to deflect from its human rights record. The grisly murder of journalist Jamal Khashoggi tarnished the Saudi Crown Prince's image and there is no doubt he is on a campaign to improve his public image. There are however a few issues to consider when looking at the claim of sportswashing.

Saudi Arabia's image has been problematic well before the murder of Jamal Khashoggi. Saudi Arabia has for long been viewed by much of the world as backward, conservative, the oppressor of women, supporter of terrorism as well as spreading Wahabism around the world for decades. Criticism against Saudi Arabia is not new and many of the claims are decades old and go well beyond human rights. Saudi oil exports, its biggest export, have never been viewed through the human rights lenses.

Many of Saudi Arabia's sports investments, including the LIV Golf league, are funded through its Sovereign Investment Fund. Established back in 1971, the fund manages \$480 billion in assets. Its major investments are not sports, but include the Saudi National Bank and the Saudi Telecommunication Co. The fund is also in charge of the country's mega-development project Vision 2030, at the centre of which is the NEOM initiative. Saudi investments in LIV Golf, which total \$2 billion, are part of the Vision 2030 campaign. Western companies, associations, sponsors and sports leagues can only wish they had such resources. The controversy around LIV Golf mostly stems from the fact that it has abundant financial resources that enable it to outbid its rivals in attracting the world's best players. To put the LIV into perspective, Phil Mickelson won \$94 million in total prize money over his two-decade PGA career. He is reportedly being paid up to \$200 million to join the LIV!³⁹ The total budget for each LIV Golf Invitational Series tournament is \$25 million. Of that \$25 million, \$5 million will be awarded to teams while \$20 million will go to the individual players. The Team Championship, which will take place during the eighth and final series event of the season, will

dish out an additional \$50 million. For comparison, the Masters and PGA Championship, two crown jewels of the PGA calendar, had a budget of \$15 million apiece in 2022.⁴⁰

Whilst golf is a popular sport in the developed world, unlike football, it's seen as a luxury sport associated with the rich. LIV Golf's real threat is in its ability to disrupt the status quo in this established industry. By attempting to attract the golf world's best players as well as its fans and communities, LIV Golf threatens to monopolise the sport. With Saudi and its gulf rivals targeting football, entertainment and other sports they threaten the status quo across the sports world. Saudi Arabia, Qatar and the UAE are reshaping the world of international sports and are looking to dominate the environment in which professional players compete.

Saudi Arabia is going through a very public reform and has projected its modernisation as an attempt to

move away from the dominance of oil to other industries in parallel to broader administrative, cultural and economic reforms. Economic development has never been built upon sports as it cannot stimulate a broader economy. Saudi's Vision 2030 doesn't present any new or innovative plans to transform Saudi Arabia into a dynamic economy. The project's three main themes – creating a vibrant society, a thriving economy and an ambitious nation, are far-fetched in a country where tribal divisions are rising and expatriates continue to dominate all productive economic sectors. The Kingdom is focusing on activities related to tourism and entertainment, including sports, that do not require the participation of Saudis themselves. Saudi Arabia may dominate the golf industry, but this will not involve Saudis and will not create any reforms. In the end, reforms in the GCC is really the 21st century attempt to maintain the monarchies in the region in light of new demographic, economic and social trends.





Football

Geopolitics

The 2022 FIFA football world cup came to an end with the final on Sunday the 18th of December. The first football world cup held in the Middle East raised controversy from the very first day Qatar won the bid to host the finals. From this day, geopolitics became intertwined with the tournament and continued for the duration of the competition. A staggering 3.5 billion people watched the final at the Lusail Stadium and such numbers make football, like any other sport, very useful to serve as tools for governments, groups and organisations to disseminate their political messages. The Qatar world cup was no different with a number of clashes taking place by opposing worldviews.

Sports have been used from ancient times to achieve political ends. Ancient Rome used chariot races and gladiator games to keep its citizens content and prevent rebellion. This practice, referred to as “bread and circuses,” was seen as a way to placate the population with food and entertainment and it also fostered a culture of dependency as the people became reliant on the government for their necessities and leisure. The British empire used sports as a means of unifying and bonding the diverse populations under their rule. In the 19th and early 20th centuries, they established sports clubs and organised competitions in various colonies, including India, Africa, and the Caribbean. The British saw sports as a way to bring the colonised peoples together and also to assert British dominance and superiority over the colonised populations. During the Cold War, the Olympic Games were used by the US and the Soviet Union as a means of political propaganda, with each country using international sporting events to show their superiority over the other. The US famously used ping pong (table tennis) diplomacy in 1972 to open ties with China and most recently basketball diplomacy was used by the US in 2019 where NBA

players, such as Dennis Rodman and Vincent Yang, played an exhibition game against a North Korean team in Pyongyang to ease tensions between the two countries.

Two Flags One Goal

Morocco shocked the whole world by defeating a number of football heavyweights and by reaching the semi-finals. They officially received the underdog title and saw an outpouring of support from across the world for their performance and ability to defeat more established nations. But it was the team’s non-football act that will have political repercussions. Morocco lofted a flag after each of their victories, but the flag that billowed high in the air wasn’t Morocco’s. The display of the Palestine flag was a show of solidarity and seen as an essential part of the Moroccan team’s cause. What made this even more shocking for many western observers was the fact that the King of Morocco was a signatory of the Abraham accords in order to normalise relations with Israel. One analyst concluded: *“The World Cup in Qatar has pierced the illusion that the Abraham Accords are anything more than agreements between an apartheid state and brutal dictatorships.”*

Clash of Values

Qatar’s banning of alcohol consumption and rules for modesty clashed directly with western values of individualism and free expression. Controversy began before the tournament kicked off when the Qatari ambassador to the UK Fahad bin Mohammed Al-Attiyah warned LGBTQ soccer fans visiting the tournament against “public displays of affection.” With western pundits hitting back, the FIFA President Gianni Infantino leaped to the defence of Qatar, accusing the west of “hypocrisy,” he said: *“We have*

been taught many lessons from Europeans and the Western world. I am European. For what we have been doing for 3,000 years around the world, we should be apologising for the next 3,000 years before giving moral lessons.” Many European broadcasters refused to show the opening ceremony to the tournament out of protest against the Muslim heritage and values of the region. Off the field there was a clear clash of values between western nations and their media about inclusivity and rights of those that identify as LGBTQ with the values of family, marriage and broader Islamic beliefs of the region. What this showed was that sports are not free of politics and many see it as an arena to showcase their beliefs, identity and political messages. In this case, western values of free expression came up against the region’s Islamic values.

Regional Competition

Saudi Arabia’s de-facto ruler Muhammed bin Salman (MBS) was received on arrival by Qatari Emir Sheikh Tamim bin Hamad Al Thani, after which the two leaders held meetings. What made this so politically significant was the fact that just a year ago Saudi was implementing a full blockade. The Gulf states and Saudi Arabia are ruled by clans that have been at war with each other for centuries. They have for long competed over resources, water and land and now that they are nations, this has not changed and has now expanded into sports, international organisations, economics and the media. Qatar’s use of its large gas reserves, establishment of al Jazeera and projecting the nation as a modern, industrious nation has seen it run into competition with the UAE and Saudi Arabia. The hosting of the World Cup in the tiny nation that has no football league or history of the sport was in this light. For four weeks Qatar was the centre of the world. This is why the monarchy spent \$319 billion on infrastructure for the tournament, knowing it would make at most \$20 billion in revenues from the tournament. For the Qatari monarchy, this is a price worth paying for regional leadership.

Sportwashing

In order to establish themselves as major players in the world of sport and boost their international image, the Gulf states of Bahrain, Kuwait, Saudi Arabia, the UAE and Qatar have invested heavily in sports facilities and infrastructure. They have competed to host major international sporting events, such as

the Olympic Games and the Asian Games. The UAE has made a strong push to host high-profile events, including the Dubai World Cup, one of the world’s most lucrative horse races, and the Abu Dhabi Grand Prix, a Formula One racing event. Additionally, Saudi Arabia, UAE and Qatar submitted bids to host the 2022 FIFA World Cup which Qatar ultimately won.

Whilst the Gulf Nations have been marketing their investments as economic opportunities to diversify their economies, the undeniable fact is that all the Gulf Nations have long-standing and deep rooted rivalries amongst each other.

Western media outlets and human rights groups accuse the region of using sports to deflect from their human rights records. The grisly murder of journalist Jamal Khashoggi tarnished the Saudi Crown Prince’s image, whilst the treatment of migrant workers in the region and in the construction of stadiums for the World Cup by Qatar saw many accuse Qatar and the region of sportwashing.

Earlier in 2022 Saudi Arabia launched LIV Golf league in direct competition with the much established PGA league. The ability to attract the world’s best players with unlimited funds rocked the world. With Qatar and the UAE targeting football, entertainment and other sports they threaten the status quo across the sports world. The Gulf nations are reshaping the world of international sports and are looking to dominate the environment in which professional players compete, much to the ire of the west.

The FIFA world cup, much like any other sport, can never be free from geopolitics as they require people and nations to participate and one cannot separate their political ideas, identities and causes from their day jobs. The Gulf states are trying to showcase their attempts to move away from the dominance of oil to other industries under the guise of reforms. But economic development has never been built upon sports as it cannot stimulate the broader economy. The problem with focusing on activities related to tourism and entertainment, including sports, is they do not require the participation of the small regional domestic populations. In the end the World cup in the region is really the 21st century attempt to maintain the monarchies in the region in light of new demographic, economic and social trends.



Is the Iranian Regime Collapsing?

The clerical regime has been in power since the 1979 Revolution, but decades of corruption, incompetence and with declining demography and economy it is today weaker than it's ever been. Students in Shiraz, the southern city in Iran, heckled a Basij officer as he addressed them on the 4th of October 2022. Teenagers waved their headscarves and shouted, “*get lost, Basij.*” This took place as protests have continued across Iran after the death of Mahsa Amini on the 13th of September 2022 at the hands of Iran’s morality police, when she was arrested for violating the country’s dress code. The protests that have ensued are the biggest the clerical regime is facing since demonstrations prior to COVID-19 lockdowns against the country’s economic situation, where 1,500 died. The clerical regime has been in power since the 1979 revolution, but decades of corruption, incompetence and with declining demography and economy it is today weaker than it’s ever been. Whilst it’s unlikely the regime will be toppled, it’s also unlikely it can also survive in its current form.

The clerical regime in Iran has been in power for over four decades. When the clerics took power back in 1979 after overthrowing the Pahlavi regime, they created numerous pillars and state institutions to maintain their grip on power. They used Shiism to justify their rule and pushed Iranian nationalism and ideas of reviving the Persian Empire to gain the support of the Iranian street. Their grip on the country’s economy, extensive corruption, waste of resources on regional projects, oppression and mismanagement have all contributed to the Iranian people losing

confidence and resenting the religious-based political system.

At the apex of this system is the most powerful individual, the supreme leader, a position that has thus far been held by only two individuals. The first was the founder of the Islamic Republic, Ayatollah Khomeini, who held the post from 1979 until his death in 1989. He was succeeded by his key aide and a former two-term president, Ayatollah Ali Khamenei, who has been supreme leader for the past three decades and is currently still in authority. The supreme leader is not elected by a public vote but rather by the Assembly of Experts, which is a group of high clerics. He has vast powers and appoints the leadership of the country’s most powerful political institutions, including the state broadcasting, the Joint Staff, the head of the Islamic Revolutionary Guards Corps (IRGC) and the Guardians Council.

In 1979 Iran’s population was 39 million, it has now doubled to 83 million. Today around 80% of Iran’s population was born after the 1979 Revolution, meaning that there is a large chunk of the populace who has no relationship with the clerics, this is a frightening fact for the clerics, as a result, since the domination of Parliament by hardliners and President Ebrahim Raisi’s election last year, the clerics have worked to strengthen revolutionary ideals and principles among the populace. This has involved invigorating the teaching of revolutionary ideology in schools, colleges and universities, as well as increasing the recruitment of people to be part of paramili-

tary forces.

In addition to this, the morality police have found a new lease of life, as well as instructions to clamp-down hard on those who violate revolutionary ideas, with many women facing the brunt of its aggression because of their non-proper compliance with wearing the hijab. With the forcing of the revolutionary ideology along with the vast array of problems facing the Iranian people, it was only a matter of time before a spark (Mahsa's death) unleashed another wave of protests directed at the regime and its head: Ayatollah Ali Khamenei.

The clerical regime, like the Pahlavi dynasty before it, established a centralised system as only 50%-60% of Iran's population is Persian. Iran is divided into a large number of ethnic groups and the clerical regime like the regime before it maintains a security state not just to maintain its regime but also govern large minorities who could pose a threat. In the north-west of Iran reside the Kurdish ethnicity and Azeris who do not see themselves as Persian. The Azeris have separatist movements in the Ardabil province and want to join Azerbaijan. The death of Mahsa Amini, who was Kurdish, resulted in this region holding the largest protests against the regime. Both the Kurds and Azeris have for long been mistreated by the regime as they don't trust them. In the south-west is Iran's most strategic region of Khuzestan which holds its energy resources. This is where the Arabs have for long resided, who have taken exception that the region was called Ahvaz and this was changed by the regime to Khuzestan in order to Persianise it. The regime has for long siphoned off the region's energy wealth and left a huge mess in terms of poverty and unemployment in the region. On Iran's eastern borders there has for long been issues along the Afghan border and the Sistan-Baluchistan province, which is largely Sunni and has always been unstable as the people there have struggled with poverty, whilst the regime viewed them as a suspect community. Iran is a huge nation with inhabitable plains and mountains surrounded by rural and urban Persian regions. These are then surrounded by large minorities and together they match the Persian population.

The clerical regime has faced many uprisings and protests throughout its four decade reign. What we are seeing in Iran today is really just the most recent version of this. Prominent Iranian sociologist Mohammad Fazeli from Tehran University said that

the protests are not simply the outcome of recent events, but they are the product of more than 40 years of bad governance. Fazeli said that there are many unresolved problems that have been accumulating during the past four decades, without any attempt by the government to address them. He said, "When President Raisi says he will probe into Mahsa Amini's death, the people cannot trust him because similar cases in the past remained unresolved." [44] Meanwhile, the absence of hope for the future after several decades of high inflation, near-zero economic growth, the decline of the administrative system and many other factors have led to anger towards the Iranian regime, and many Iranians no longer are scared to protest and speak out against the failed rule of clerics.

What has turned many against the clerical regime is the fact that after four decades it has ruined the economy, impoverished the people and continues to suppress them. Iran's GDP declined 70% from \$599 billion in 2012 to \$191 billion today! Living standards in Iran today have reached their lowest point in more than a century. Prices continue to skyrocket, making essential goods like food and medicine unaffordable for most Iranians.

“What has turned many against the clerical regime is the fact that after four decades it has ruined the economy, impoverished the people and continues to suppress them.”

There were many scenes of hijab burning in the protests. This is something the Western media has jumped on to attack the Iranian regime's imposition. In a New York Times interview, Minoo, who's daughter has been taking part in the protests, signed an online petition calling for the abolition of the morality police. Minoo said she wears the head scarf willingly and: *“I'm religious, but I'm fed up with the hypocrisy and lies of this regime treating us ordinary people like dirt.”* Minoo, much like many in Iran can see that the regime uses Islam for legitimacy, but has pursued policies both domestically and abroad to entrench its longevity only. For many in Iran the fact that regime officials and their families take regular holidays to Western capitals and wear attire that is less than desirable is the hypocrisy they have had enough of. Their anger is at a regime that is not representative of

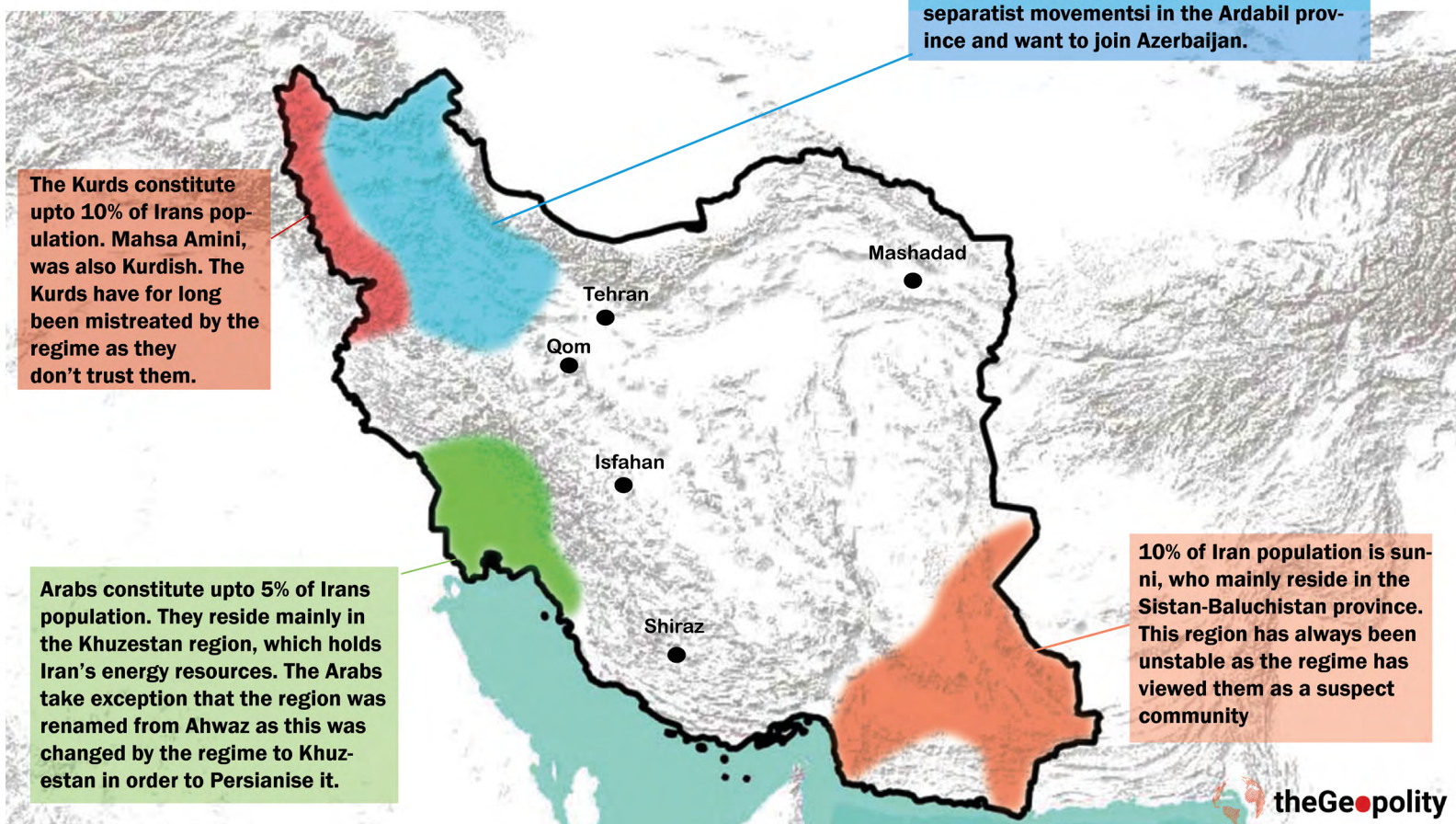
them and the hijab incidents are to show disapproval of the regime rather than challenging the Islamic attire.

In Iran change historically has come in two ways. Either a foreign power invades or supports a faction within Iran, this is what took place when both Russia and Britain invaded Iran at the beginning of WW1 and WW2 to ensure it could use Iran's energy resources for the war effort. In 1979 the Persians and the minorities and people from different strata of society came together to oust the Shah. Today the minorities in Iran will need large support from the Persians if they want to topple the regime. The opposition movement currently is carrying out large protests, but they are fragmented as they have no central leader and they have not mobilised the rural areas which are the support-base of the clerics. A lot

of this has been due to the coercive capabilities of the regime. The army and the IRGC have remained intact which is a clear sign the protests are not having their intended effect.

Iran is gradually transforming from a theocratic state dominated by the clerics to one dominated by the IRGC, who sees themselves as the guardians of the 1979 revolution. As the clerics lose credibility it's unlikely after the death of Khamenei the IRGC will need a supreme leader for them to remain in power so there may be a supreme leader with limited powers for symbolic purposes. An autocratic government led by a military leader may very well be the future of Iran. Very similar to Iran in the early 20th century when Col. Reza Khan, became prime minister in 1921, overthrew Ahmad Shah in 1925 and established the Pahlavi dynasty.

Fortress Iran



Imran Khan

Bowled Out



After spending over two decades building his political career, Imran Khan's administration came to an unceremonious end after becoming the first Prime minister in Pakistan's history to be thrown out in a vote of no confidence. The clock was ticking on Imran Khan's tenure as soon as he secured the premiership in August 2018. Pakistan's problems had only grown after decades of mismanagement and plunder by both military and civilian regimes. If Imran Khan really was going to tackle such issues he had his work cut out. But in the end Imran Khan's failure was inevitable as he failed to understand that Pakistan's problem is not the need to reform its political system rather its problem has always been the system itself

Imran Khan's ascent to power can be attributed wholly if not partially to the full weight of the military, bureaucratic and judicial elites being welded together, guaranteeing his victory.⁴⁵ In a system where manifestoes and principles, or even the ability to govern are irrelevant to the result of the election, it is said that even if the donkey of the so called electable were to be selected to run as a candidate, it would never the less probably win the election.⁴⁶ This is largely because established political dynasties maintain a stranglehold over their respective constituencies and thus regardless of their political affiliations are guaranteed to win their seats.

The security elites of Pakistan "persuaded" these dynasties that it was in their collective interests to change their allegiance to whomever the security establishment favours. This is in fact an admission

that the system is in fact actually ineffectual and does not foster capable governance nor does it create those with statesman-like qualities that establish any form of good governance.

The system of patronage with the army as its head gave Imran Khan the rule but kept the keys to power from him. With a host of coalition partners subservient to the security establishment, Imran Khan's government was hobbled from the start. He did not in fact, as promised at the start of his political career, bring grassroots change, rather his acquiescing to the status quo could never lead to meaningful change of a decrepit system.

Imran Khan is someone who bucked the trend of the self-serving political class that Pakistan has generated in its 70 year history, Imran Khan's time in government has coincided with what can be classed as in the old Chinese adage as "interesting times." COVID-19 and now the war in Ukraine has sent prices soaring and depleted what little reserves Pakistan and its beleaguered public could muster. Imran Khan's economic policies were mostly dictated to him by institutions like the IMF and World Bank and significantly added to the woes of an already poverty stricken nation. Devaluing the rupee, increasing indirect taxes, widening the tax base to those already struggling rather than targeting the elites by whose patronage he gained power, did nothing to alleviate the difficulties faced by the general masses of Pakistan. In fact, real incomes in Pakistan fell for the first time in its history during Imran Khan's tenure.⁴⁷

Dissolving the assemblies, although a bold move by Imran Khan and constituting a real test of his popularity, was unlikely to succeed as Pakistan's judges have always been subordinate to the establishment and are adept at maintaining the status quo. In reality, it didn't matter whether Imran Khan's administration survived as he had failed to bring what he aspired to achieve.

His failure was inevitable as he failed to understand that Pakistan's problem is not the need to reform its political system rather its problem has always been the system itself. Rather than politics where politicians present policies established upon deeply held convictions on what is the correct means of governance, politics in Pakistan is nothing more than a distributed client patron network, where political allegiance is garnered by what favours or interests are served, not principles of governance or ideology.

Although Imran Khan's supporters will point to the US as the source of duress to remove Imran Khan from power, citing his visit to Russia which coincided with the start of Russia's invasion of Ukraine as a pretext, they ignore the insignificance of the relationships between Pakistan and Russia in the international domain.

As Pakistan is buffeted by the winds of international disorder at the emergence of a more multipolar world, its elite realise that things are going to get significantly worse, and what is required to preserve the status quo is a scapegoat, upon whom the multitude of problems that beset Pakistan can be unloaded.

So rather than emanating from any foreign power the conspiracy against Imran Khan's government is wholly domestic, and is designed, as is usual in Pakistan, to maintain business as usual, no matter how detrimental that is to the interest of Pakistan and the region as a whole.





How Sri Lanka's War Heroes Brought the Country to Her Knees

Amid weeks of protests, Sri Lanka defaulted on her foreign debt in May 2022 after failing to agree a restructuring deal with her creditors. Sri Lanka was due to make repayments of \$7 billion in 2022 but a shortage of foreign reserves, declining economic outlook, growing protests and corruption has brought to an end one of South Asia's best performing economies. After the end of a devastating 26-year civil war in 2009, the island of 22 million had the makings of an Asian economic success story. Under governments run by the powerful Rajapaksa family, annual economic growth peaked at 9%. By 2019, the World Bank had classified the island as an upper-middle income country. Sri Lankans enjoyed a per capita income double that of neighbours, along with longer lifespans thanks to strong social services such as healthcare and education. The country tapped international debt lenders to rebuild, becoming a key private Asian bond issuer and participant in China's Belt and Road Initiative.

But violent protests against the Rajapaksa family grew as the economic fantasy rapidly descended into a nightmare for the masses. The Sri Lankan story is just the recent story of a third world nation who was on the road to prosperity but the bubble burst enroute. Sri Lanka once was the richest economy in the region and regularly topped economic and social indicators. So, how has it all gone horribly wrong?

The Rajapaksa Family

Sri Lanka much like the rest of the region has a history of dynastic families dominating national politics. The Rajapaksa family came to power when Mahinda Rajapaksa became President in 2005. His brother Gotabaya Rajapaksa as the Defence Minister was hailed a hero after defeating Tamil Tiger's in 2009 after the long civil war. The Rajapaksa's used this popularity to remain in power and their hold on power led to an increase in Foreign Direct Investment (FDI) which saw large scale infrastructure projects across the island nation. Many of these were mired with corruption and in the end provided low returns and filled the pockets of the politically connected business class.

During Mahinda Rajapaksa's second term as president, 40 members of the family filled key government positions, in addition to the cabinet. In 2019 the three Rajapaksa brothers occupied the most important seats of the island, Gotabaya as the President, Mahinda became the Prime Minister and Basil Rajapaksa became the Finance Minister. The family pursued populist policies and reduced VAT rate from 15% to 8% and abolished the 2% national development tax without any revenues to replace the fall in government revenue. Government revenues fell 30%, forcing Sri Lanka to take on foreign debt.

Lockdown

Trouble was already brewing when Covid-19 emerged in early 2020. With global lockdowns and severe restrictions placed on travel. Tourism, a major source of dollars for Sri Lanka collapsed. Tourism was bringing in 13.7% of total foreign exchange earnings in 2019 but nose-dived to a mere 3.3% in 2020. Overseas remittances, the nation's main foreign exchange earner, fell 60% to \$812 million by the end of 2020. Migrant workers were forced to utilise unofficial channels after exchange rate controls were put in place. All this further added to the declining situation in the country.

The China Factor

China has long been blamed for Sri Lanka's economic woes. The 2017 port of Hambantota handover to China as collateral is usually cited as evidence. Whilst this opinion gets a lot of air time, on closer inspection Chinese loans make up only 10% of Sri Lanka's total debt. Sri Lanka's top lenders are her sovereign bond holders, at 47%.

China has been working in Sri Lanka for more than

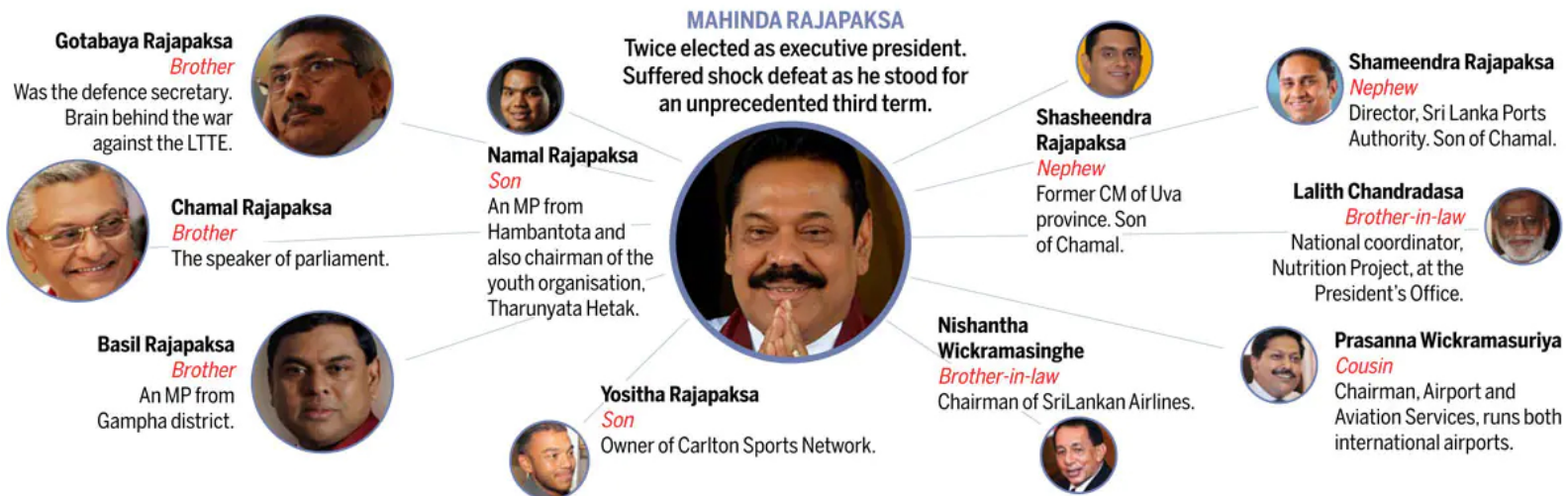
a decade to maintain her presence in the island as she straddles the global Sea Lines of Communication (SLOC). China made her way into Sri Lanka during the civil war in the 2000s, when India refused to support the regime during the civil war, China came with arms and aid. In time China became one of the biggest investors and creditors for the island's mega projects that Rajapaksas used to build their empire.

For the moment it's likely that the Rajapaksas will remain in power despite the backlash from the public. The opposition remains weak in Sri Lanka and Gotabaya's credibility in the military will help the family navigate through the crisis. Sri Lanka's military has no history of intervening and the Rajapaksas' leadership during the civil war gained him the loyalty of the generals. The ruling family will likely need financial help and this looks like it's coming from India and Japan and possibly a bailout package from the IMF.

Sri Lanka is rich in natural resources and human capital. She has significant oil and gas deposits in the Mannar basin. But the ruling family has failed to utilise these for the benefit of the people. It's most likely the trouble in Sri Lanka will continue.

FAMILIAL RULE

The Rajapaksa family has, for long, controlled key levers of power in the island republic



SWIFT Politics



Vladimir Putin, the Iron Man of Russia in a pre-dawn TV address on the 24th of February, declared that his nation could not feel safe and immediately launched the invasion of Ukraine. The West, looking on in horror, have ruled out any direct NATO military intervention and have started the economic war by targeting Russia's economy, financial institutions and prominent business individuals by launching a broad range of sanctions. These include banning the export of specific oil refinery technologies to freezing the assets of Russian financial institutions and specific individuals including Putin himself. But, perhaps the most powerful sanction on Russia is the decision to deny specific banks access to the SWIFT system, a worldwide financial messaging system.

SWIFT is "The Society for Worldwide Interbank Financial Telecommunication." It is a vast messaging network that sends and receives money transfer instructions accurately and securely among its users. It was founded in 1973 and headquartered in Brussels, Belgium, though its first and major data centre is based in Virginia, USA. SWIFT actually does not hold any payment facility or cash, it is not a payment system. Rather, it is a platform to transfer message instructions of payments which amount to 42 million messages a day with payment instructions in the region of \$5 trillion a day.

How does SWIFT work?

Consider the following example. When a professional needs to pay one of his crude oil suppliers, he will instruct Eastern Bank Limited in Dhaka, Bangladesh, where his company has a bank account to send payment to his supplier's Wells Fargo Bank in New York, USA. Eastern Bank will click on their computers, which will send a money transfer instruction to Wells

Fargo through SWIFT utilising the SWIFT reference numbers and ISBN codes. Wells Fargo will then click on their internal computers which will credit their digital ledgers and debit Eastern Banks ledgers, leading to the payment.

From Telex to Computers

Before the advent of SWIFT, the world's financial institutions depended on telex machines. Banks wrote long instructions of telex messages which were prone to error. If a bank's address was missed out or incorrect, then this error led to failure of payment. In this system, a cross-border transaction would often require the exchange of more than ten Telex messages, which made the process costly and time consuming. Today SWIFT provides every user with unique code (SWIFT Code) and has a dedicated set of message types (MT). That's why now users don't need to write long messages and there is a very low possibility of human error.

The origins of SWIFT lay in finding a solution to the immediate problems occupying banks in the 1960s; market access, transactional efficiency, human error, robustness and security. Today around 2,500 institutions with almost 12,000 users from more than 200 countries and territories use the SWIFT platform for cross border payments.

Weaponizing SWIFT

From the beginning of the 21st century, a number of countries have used SWIFT as a financial weapon targeting countries and individuals across the globe. During America's war on terror, its Office of Foreign Assets Control (OFAC) sanctioned many individuals who were placed on the block list of SWIFT net-

works.

The first country to be denied access to SWIFT was Iran. When Iran was sanctioned by the US and its allies in Europe due to its nuclear program, it was also disconnected from SWIFT. In 2017, SWIFT revoked access for North Korean banks.

During Russia's conquest of Crimea and Eastern Ukraine in 2015, the US and UK threatened Russia that it would be booted out of SWIFT, though following German objections, it was never implemented. On the 2nd of March 2022, against the backdrop of Russia's invasion of Ukraine, the EU banned certain Russian banks from SWIFT along with the US, UK and Canada, with the objective being to disrupt Russia's ability to do business across borders.

How Much Does a SWIFT ban hurt?

SWIFT is a vast network of financial institutions and provides the world with a robust system through which payment instructions can be completed with speed, efficiency and in a cost-effective way. This also means the world is highly integrated, revealing unintended consequences from sudden activity.

In Russia's case seven banks have been banned from SWIFT and will therefore not have direct access to international markets. That means individuals and companies using those banks will have a harder time borrowing or investing money across national borders, receiving money for exports and paying for imports.

There are alternatives for these banks, they can use apps and email for the messaging but those will cost more and are insecure. Russia could use China's Cross-Border Interbank Payment System (CIPS), however it is not robust like the SWIFT system and it settles transactions in Yuan, whose share of world payment transactions is only 3%.

When Iran was banned from SWIFT, it was unable to trade oil in dollars, losing half of its oil exports and

30% of its total foreign trade over the last 5 years. In addition, these bans also created problems for China as it is the world's top energy buyer.

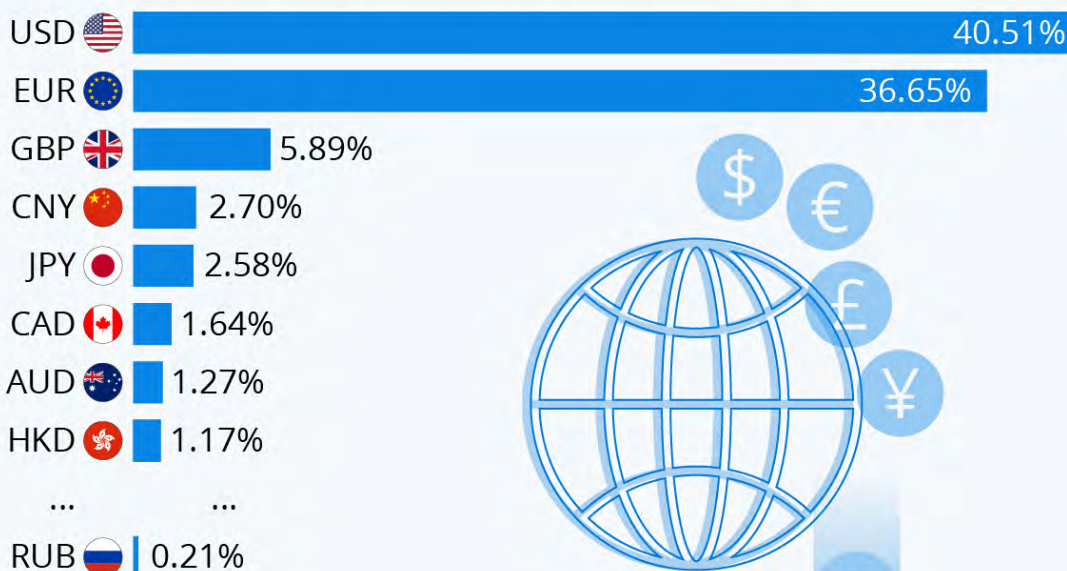
The SWIFT system gives the US a unique advantage. America's domestic currency, the dollar, is used in 40% of payments as per SWIFT statistics meaning it can intervene and place bans on the use of its domestic currency on a world wide scale. US intelligence agencies have long been monitoring the SWIFT system. Der Spiegel reported in 2013 that the National Security Agency (NSA) widely monitors banking transactions via SWIFT. The NSA intercepts and retains data from the SWIFT network used by thousands of banks to securely send transaction information. SWIFT was named as a "target", according to documents leaked by Edward Snowden. The documents revealed that the NSA spied on SWIFT using a variety of methods, including reading "SWIFT printer traffic from numerous banks."⁴⁸

Can SWIFT be Replaced?

Both Russia and China can see the dominant position of the US when it comes to global finance and both have stated they want to change the existing western dominated order, especially now that it's being weaponized. Russia's central bank launched its own version of SWIFT in 2018 called the: System for Transfer of Financial Messages (SPFS). Then in 2019 China also commissioned its own SWIFT, the Cross-Border Inter-Bank Payments System (CIPS).

SWIFT Payments by Currency

Share of global payments processed on SWIFT in December 2021, by currency (based on transaction value)*



Currently 38 banks from 9 countries are connected to Russia's SPFS with almost 340 domestic users. 20% of Russia's domestic payments go through this home-grown system. China's CIPS system has 1288 participants covering 104 countries and regions around the world. Neither system is as widespread as SWIFT and both are more costly, whilst Russia's SPFS is not as secure as the other systems.

Some have touted cryptocurrency as an alternative to SWIFT. The advantage of cryptocurrencies is that they are of a decentralised nature where SWIFT is centralised. Countries such as North Korea use cryptocurrencies by employing hackers to steal other cryptocurrencies. North Korean hackers also threw SWIFT into an embarrassing position during a cyber heist in 2018 when they stole \$101 million by undermining the SWIFT security system.[49]

For the moment these alternative payment messaging services are complementary rather than replacements for SWIFT. But with the US weaponizing SWIFT and

now restricting a political power such as Russia this may very well push many consumers of hydrocarbons to join CIPS and SPFS.

SWIFT plays a key role in the global economy and whilst major countries like Russia and China are covering for alternatives, SWIFT can not be displaced for the moment. Russian citizens will feel the pain from being banned from SWIFT as Russian companies will have to find other ways to pay for imports. That said, Russia has been building contingencies for some time and is well placed to weather this storm in the short term. As the EU imports around 45% of its natural gas from Russia, Russia does have this lever to use to its advantage. The cost of operating in the integrated global economy is when a country falls out of favour, or, is independently minded, the global rules based order can be used by the creators of the system to contain and restrict it. Until a true alternative nation state emerges with its own systems and designs, western nations will always have the economic advantage over everyone else.





Is China the New Power in the Middle East?

Chinese Premier Xi Jinping began a three day trip, beginning on the 8th of December to Saudi Arabia, to great pomp a ceremony to kick off what he called “a new era” in Saudi-Chinese relations. Xi’s trip gained significant global media coverage with many believing China is the new power in the Middle East. Xi’s visit comes in the context of tensions with the US over Taiwan and with significant tensions also between Saudi Arabia’s de facto leader Mohammed bin Salman (MBS) and President Joe Biden. Many international media outlets saw Xi’s visit as a signal and display of strength to the US and Saudi Arabia moving away from the US to China. However, beyond the rhetoric and narratives, Xi’s visit doesn’t change the underlying strategic reality of China in the Middle as her links with Saudi Arabia and the broader region remain relatively modest.

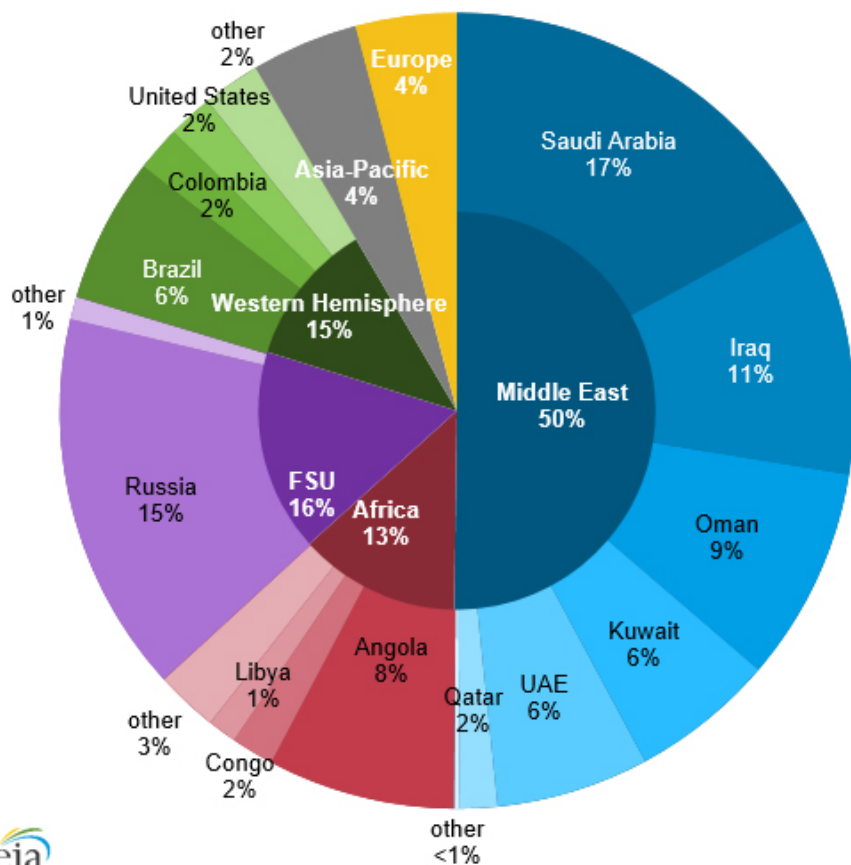
Saudi Arabia and China showcased deepening ties with a series of deals. Both the Chinese and Saudi leaders signed a “comprehensive strategic partnership agreement” that included agreements on hydrogen energy and enhancing coordination between the Kingdom’s Vision 2030 and China’s Belt and Road Initiative. A deal was also struck over Huawei Technologies relating to cloud computing, data centres and building high-tech complexes. The nearly 4,000-word joint statement that was published by the official Saudi Press Agency (SPA), expressed agreement on a swathe of wide-ranging issues from including energy, security, Iran’s nuclear program, the crisis in Yemen and Russia’s war on Ukraine.

The Need for Oil

In the post WW2 world, it was the US that constructed the global order and the Soviet Union that competed with it for global dominance. China was disengaged from much of the world including the Middle East. It was only with the demise of the Soviet Union and with efforts to gain greater international recognition at the expense of the rival in Taiwan, that China began relations with some countries in the Middle East. In 1993 China could no longer fulfil its domestic energy needs from domestic production and it turned to the Middle East for its energy imports. By 1995 the Middle East became the number one source of oil for China. China’s rapid growth and stature as well as enormous population means it needs supply lines for raw materials, commodities and more importantly oil, and this is where the Middle East comes into the picture. China consumed 15.3 mbd of oil in 2021. Less than 5 mbd of this is from domestic sources, leading China to surpass the US as the top global importer of oil in 2017. There are 45 nations that fulfil China’s demand for oil; nearly half of this oil comes from nine countries in the Middle East, with Saudi Arabia providing the lion’s share. China’s most important reason for being present in the Middle East is energy. The Middle East will remain China’s largest source of oil imports and that is the strategic significance of the Middle East and Saudi Arabia, China’s largest oil supplier.

China’s BRI will attempt to integrate resources and markets throughout Eurasia through the establishment of a central continental land and sea infrastructure connecting China with Europe through Central

China Oil Imports by country, 2021



fusal to increase oil production has been seen as Saudi charting an independent course. But the tensions are in fact between the democratic party and MBS himself, rather than Saudi Arabia. Joe Biden in his presidential campaign made it clear that he wanted to move away from the personal relationship President Trump had with MBS and wanted to isolate MBS for the murder of Jamal Khashoggi. When Biden took office he gave MBS the cold shoulder and tried to isolate him.

MBS responded by supporting the electoral prospects of the Republican Party, in whom he perceives the best hopes of his survival. Bruce Riedel, a senior fellow of the Brookings Institution, told *The Intercept*: “The Saudis are working to get Trump reelected and for the MAGA Republicans to win the midterms. Higher oil prices will undermine the Democrats.” Jonah Shepp of *New York Magazine* highlighted: “Of course, the real reason why Republicans are so quiet about the Saudis’ betrayal is that they stand to benefit from it politically on a massive scale. In itself, a slight

uptick in gas prices isn’t necessarily a game changer for the midterm elections, but with so many tight races in key battlegrounds, it’s bad news for the ruling party.”

China’s biggest challenge in the Middle East is the presence of the US. The US after WW2 entered into an intense struggle with Britain to remove it from the Middle East. It used military coups and the threat of the communist expansion to get a foothold in the region. It provided security assurances to Saudi Arabia and Israel to establish a military footprint in the region. In the 1970s it deepened ties with Iran and Egypt through economic aid and military sales. The US provides a number of nations in the region with security guarantees, in effect providing a leg-up to these autocratic regimes in return for their loyalty. The US presence includes political plans for regional issues such as the two-state solution and it is experienced at maintaining a military presence so far from the US continent and in executing complex military operations and maintaining military bases overseas.

Asia and the Middle East. There has been a flurry of summits since the BRI initiative was announced in 2013 and has led to a number of deals for the development of seaports, as the Middle East straddles one of China’s economic corridors. The Middle East’s importance will only grow for China’s economy due to trade routes. Iran and Saudi Arabia have been the two countries China has specifically focused on. Saudi Arabia is China’s main oil exporter whilst Iran has enormous energy resources and China is a source of technology, investments, and some military hardware. But both these nations have deep relations with the US which will impede any political goals China may have. Iran is currently focused on its nuclear negotiations with the US as well as seeking détente with the US. Since the emergence of King Salman and MBS in Saudi Arabia on issues of foreign policy, security and defence, Saudi is firmly in the US camp and this does not appear to be liable to change any time soon. While bilateral energy and economic ties are solid and deepening, China’s diplomatic and military links with Saudi Arabia are shallow and relatively modest.

Inconvenient Marriage

The recent tensions between the US and Saudi have been interpreted by many as a fracture in relations between the long term partners. The recent Saudi re-

Challenges Ahead

China is not interested in arbitrating local disputes through the use of force. Indeed, China’s military involvement in the region has been modest so far. The

creation of a naval base in Djibouti is the most visible sign of Beijing's regional presence. Also, China has UN peacekeepers on the ground in Lebanon and some military advisers in Syria. But for the moment China looks happy with pursuing trade under the US regional security umbrella. Beijing has traditionally preferred the promotion of trade and investment.

Accordingly, although China's economic involvement in the Middle East has grown over the last decade, its military and security involvement remain marginal. China's growing interests and increasing engagement in the Middle East highlight its achievements so far. But for the moment China lacks the capabilities to bring these to bear. This affects how much Beijing is willing to devote towards the region. China's strategy

towards the Middle East is best characterised as that of a wary dragon: eager to engage commercially with the region and remain on good terms with all states in the Middle East, but most reluctant to deepen its engagement, including strengthening its diplomatic and security activities beyond the minimum required to make money and ensure energy flows. The result is China's foray into the Middle East lacks any political or military dimensions and remains limited to economic and energy considerations. Xi Jinping's visit to Saudi Arabia proves China is growing in importance in the Middle East and that China has become an economic heavyweight, but it persists as a diplomatic lightweight, and is likely to remain a military featherweight in the region for the foreseeable future.



Crude Oil

Russia's invasion of Ukraine and the subsequent sanctions on Russian hydrocarbons has created a flux in the oil markets. Crude oil is essential to not just modern transport but to many other industrial processes and sectors. Oil is today the World's most traded commodity, over a century from when the black gold was first discovered in Pennsylvania, America. Oil faces many challenges today as a strategic fuel. Peak demand and supply have always posed a threat to oil producers and consumers. The decarbonisation agenda always had the potential to reshape the oil market completely, while Covid-19 has only supercharged these.



The Oil Market

Prior to COVID-19 the oil market was producing nearly 100 million bpd. North America, dominated by the US, is nearly self-sufficient with a quarter of the world's demand and supply of oil. Europe requires 15 million barrels per day (bpd) but produces only 4 million bpd, therefore it is a major oil energy importer. This is what made it so dependent on Russian energy. China consumes 40% of Asia's c.40 million bpd, with the region only producing 4 million bpd. The Middle East meanwhile produces 30% of world output and consumes less than 10%, and therefore remains a huge oil exporter, mainly to Asia and Europe.

The former USSR republics, dominated by Russian production, produce 15% of global output and consume less than 5% and are therefore the other main suppliers to world markets.

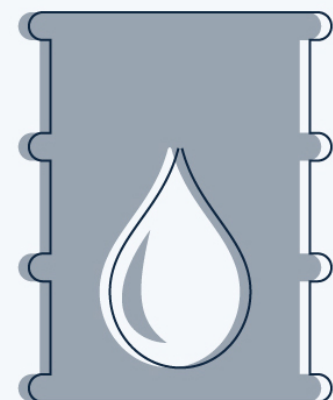
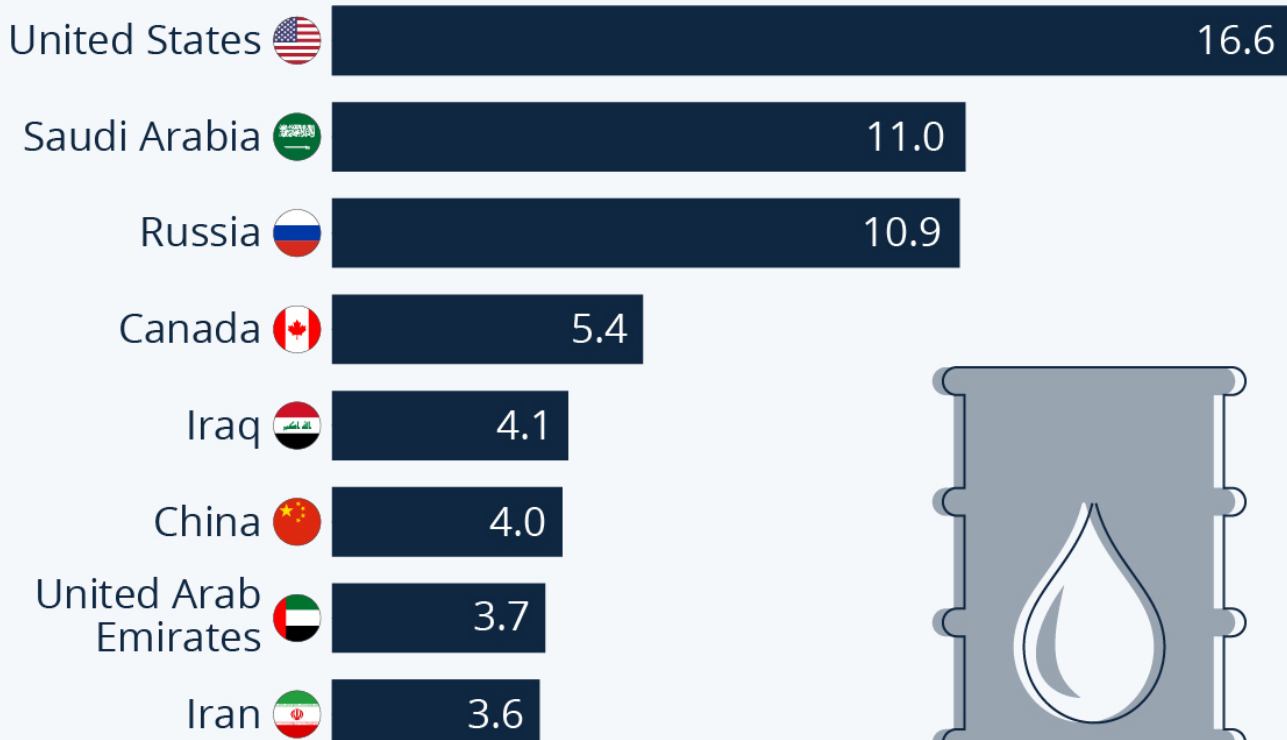
The Middle East ever since oil was first discovered in

Iran in the late 1800s, has nearly 50% of proven oil reserves of which Saudi has 17%. In 2011, Venezuela's energy and oil ministry announced an unprecedented increase in proven oil reserves as oil sands in the Orinoco Belt territory were certified. The nearly 200 billion barrels of proven oil reserves identified, pushed Venezuela from fifth in the world to number one. As a result, South and Central America's proven oil reserves more than doubled between 2008 and 2011.

Amounting to 5% of the worldwide value of all export products, global crude oil shipments totalled an estimated \$1 trillion in 2019. This dollar figure reflects a 30.9% increase since 2015. Crude oil was the world's number one export product in 2019, outpacing exports of cars in second place. As a group, Middle Eastern countries sold an estimated \$384 billion worth of globally exported crude oil during 2019.

The World's Biggest Oil Producers

Oil production by country in 2021 (in million barrels per day)



Country Profiles

The top 10 biggest oil producers supply 71% of the world's oil, The oil is mainly used in transportation (petrol and diesel), but it also supports the production of certain lubricants, plastics and pharmaceuticals.

1. US: Production 16.6 million bpd, Consumption 19 million bpd



The US is the world's largest consumer and producer of oil. It has been the top oil producing country in the world since 2017. Oil is produced in 32 states and in US coastal waters, the majority of which is drilled in Texas (41%). One of the main reasons why the US is a leader in oil production is because it was the first country to adopt new methods of drilling. Rigs can now drill horizontally, enabling greater access to oil-yielding rock. This is why the US has led the shale revolution.

2. Saudi Arabia: Production 11.8 million bpd



Before the US became the world's largest oil producer, Saudi Arabia held the top spot for three decades. The Arab kingdom possesses the world's largest oil well at Ghawar. Saudi also has the world's largest proven oil reserves after Venezuela. Oil plays a central role in the Saudi economy with 50% of GDP coming from oil, 63% of the national budget from oil and 67% of export earnings come from the oil industry. Saudi Arabia remains the world's largest exporter of crude oil raising \$134 billion from crude exports annually.

3. China: Consumption 14 million bpd



China's rapid industrial growth over the last two decades has seen it become the world's largest crude consumer after the US. China consumes over 14 million bpd, but produces less than 4 million bpd of oil domestically.

4. Russia: Production 10.9 million bpd



Russia was once the leading oil producer in the world, before it was overtaken by Saudi Arabia, and later the US. Russia has the sixth largest proven reserves and in 2019 was the second largest exporter of crude oil in the world. The country's main extraction region has for long been in Western Siberia. But as these regions have been producing oil for a long time, the era of Russia's easily accessible oil will end in the next two decades.

5. Canada: Production 5.4 million bpd



Canada is the world's 5th largest producer of oil and only consumes half of this domestically. Similarly in 2002, Canada's proven oil reserves jumped from 5 billion to 180 billion barrels based on new finds in Alberta's oil sands.

6. Iraq: Production 4.1 million bpd



While it is only fifth on the list of leading oil producers, it is the second largest of the OPEC countries. Iraq's crude oil exports have doubled from 2 million bpd to 4 million bpd since 2010, most of which is being supplied to China, India and Europe.

7. UAE: Production 3.7 million bpd



At 98 billion barrels, the UAE has the eighth largest oil reserves. At the current rate of production and consumption, this means the country has enough reserves to last almost 300 years.

8. Iran: Production 3.6 million bpd



In the 1970s, Iran exerted significant control over the oil industry, producing nearly 6 million bpd of oil. As more and more countries started to produce and export oil, this number decreased and US imposed sanctions had a major impact on Iranian oil production and exports.

9. Brazil: Production 3 million bpd



Whilst Venezuela has the world largest oil reserves, Brazil is the only nation from Latin America that produces significant crude for the world's markets. Central and South America's oil is characterised as heavy oil and the vast majority of Brazil's proven reserves are located in offshore basins off the southeast coast of Brazil.

10. Kuwait: Production 2.7 million bpd



Despite the country's small size, oil is the nation's largest industry and constitutes nearly 50% of GDP. With the world's 9th largest oil reserves, Kuwait accounts for 7% of global oil production. Kuwait also possesses the world's second largest oil field, the Burgan Field.

Trade in Crude and Geopolitics

China, the world's largest manufacturer, imports as much crude as all of Europe put together and together with India and Japan make up the world's largest importers of oil. China gets most of its oil from the Middle East but also significant tonnages from Russia, South and Central America (Venezuela, Brazil) and West Africa (Angola, Congo), supported by Chinese investment in ports, roads and infrastructure and financing of African debt. China has diversified its crude imports in recent years and moved away from heavily relying on the Middle East, dominated by America's allies. India and Japan get most of their imports from the Middle East. Meanwhile, Europe sources their crude imports from old colonial territories in the Middle East, North and West Africa but also significant supplies from neighbouring Russia.

Decarbonisation

Pressure has been growing for decades about the effects of climate change. Whether real or perceived there is much demand to reduce the emission of greenhouse gases namely carbon dioxide and methane. These are emitted from the burning of fossil fuels to generate energy and electricity. A common commitment is to achieve net zero emissions by 2050 which means no net increase in greenhouse Gases by 2050, so any increase in greenhouse gases is offset by carbon capture and the planting of trees while fossil fuel use is gradually replaced by renewables.

Energy consumption is growing but oil's contribution to it has been declining. Coal and oil are the most polluting of fossil fuels and have seen the biggest reduction in the share of primary energy consumption. Natural gas and renewables have seen the biggest growth. Despite its growth, renewables account for only 5% of primary energy consumption worldwide.

Europe and the America's have moved closer to renewables than other regions, with the Middle East despite an abundant potential for solar showing the least progress towards renewables. Interestingly, despite the challenges oil remains the predominant source of primary energy consumption in most regions of the world, except the former Soviet Republics in the Commonwealth of Independent States (CIS), where natural gas dominates the primary sources of energy consumption. In Asia Pacific, China's coal fired power stations dominate the primary source of energy consumption.

By and large the energy supplies of particular regions remain the primary sources of energy in those regions, with renewables only making significant inroads in primary sources of energy consumption in Europe which is heavily dependent on imports of primary fuels.

Covid and decarbonisation pose a threat to the global oil market, namely lower demand for oil and downward pressure on price. Even before Covid-19, the countries in the Gulf were preparing for an age without oil. In some Gulf states oil revenues account for 90% of state revenues. The growth in renewables and nuclear will be spurred by the demands of net zero carbon emission in the next 20-30 years, which in turn will result in a fall in the demand for oil. Covid-19, which has seen an improvement in air quality with the reduction in global economic activity, will in all likelihood only accelerate the demise of oil. This will have major economic, political and social implications across the globe. The changes will be most profound in the Middle East and North Africa (MENA), where 50% of the world's oil reserves lie.

In recent years higher average oil prices have benefited higher cost oil producers to enter the market, namely in the US. US oil production doubled between 2008 and 2019 from 6.8 million bpd to 17 million bpd, an average annual growth rate of 8.5%, the highest in the world. This together with Canadian growth of 5.1% resulted in North America becoming self-sufficient in oil.

Decarbonisation and the expected decline in the oil price will therefore hit higher cost producers first, namely fracking and oil sand producers in North America. Oil production is however a small fraction of economic output in North America, unlike the Middle East, and the market is well contained within the continent and therefore North America is unlikely to see a major fallout from the likely global fall in oil prices from decarbonisation (and any lasting impact from covid).

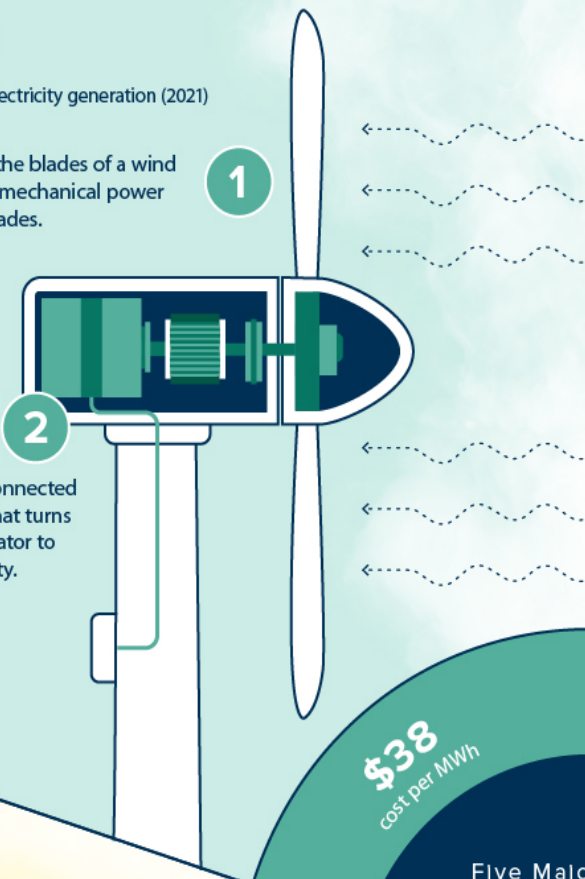
Net importers of oil like China and Europe will benefit from lower global oil prices. Lower import bills and inflation from lower crude prices will assist these economies achieve high economic growth. Decarbonisation could however be slowed due to lower oil prices as oil prices will be more competitive compared to renewables.

WIND

6.6% global electricity generation (2021)

1 Wind flows over the blades of a wind turbine, creating mechanical power by turning the blades.

2 The blades are connected to a drive shaft that turns an electric generator to produce electricity.

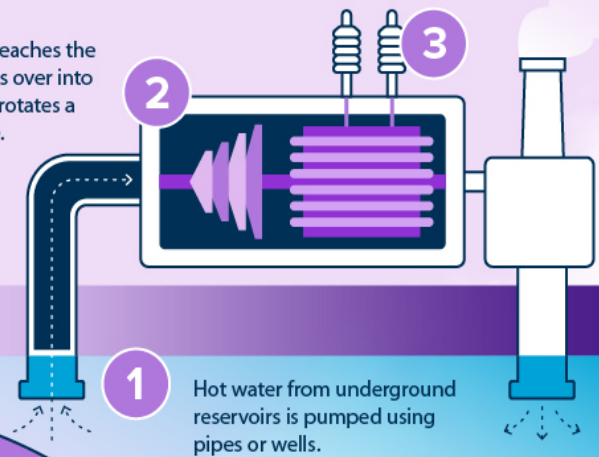


GEOHERMAL

<1% global electricity generation (2021)

As the water reaches the surface, it boils over into steam, which rotates a steam turbine.

The turbine is connected to a generator that produces electricity.



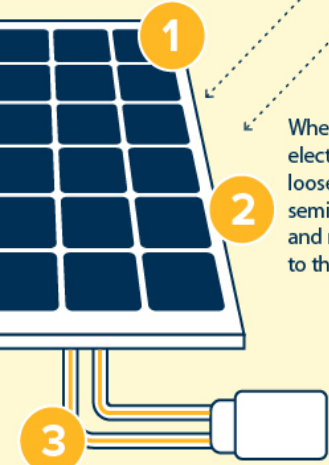
SOLAR

3.7% global electricity generation (2021)

Photovoltaic (PV) cells contain thin semiconductor wafers, forming an electric field.

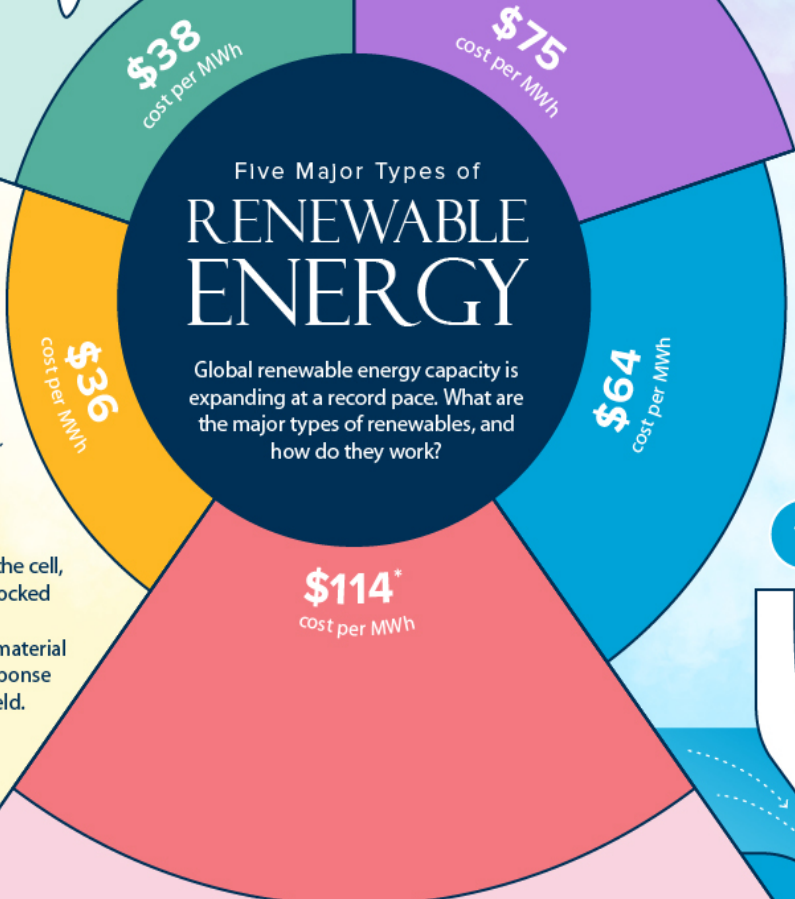
1 When light hits the cell, electrons are knocked loose from the semiconductor material and move in response to the electric field.

2 This generates electricity, transferred through metal conductors on the PV cell.



Five Major Types of RENEWABLE ENERGY

Global renewable energy capacity is expanding at a record pace. What are the major types of renewables, and how do they work?

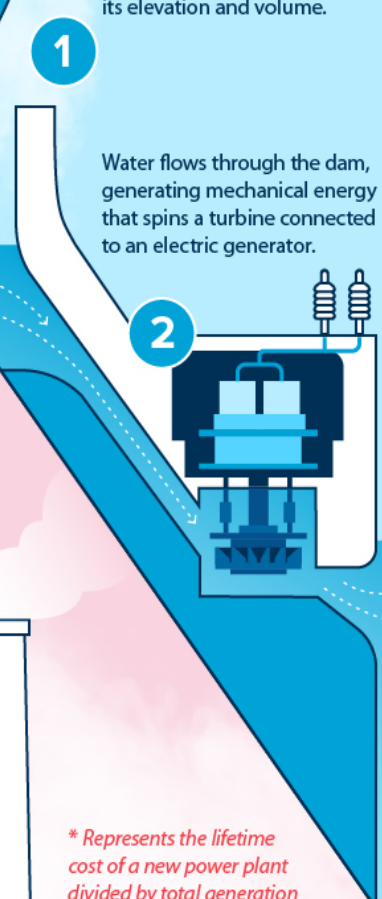


HYDRO

15.3% global electricity generation (2021)

Dams or other diversion structures alter the natural flow of water to increase its elevation and volume.

1 Water flows through the dam, generating mechanical energy that spins a turbine connected to an electric generator.



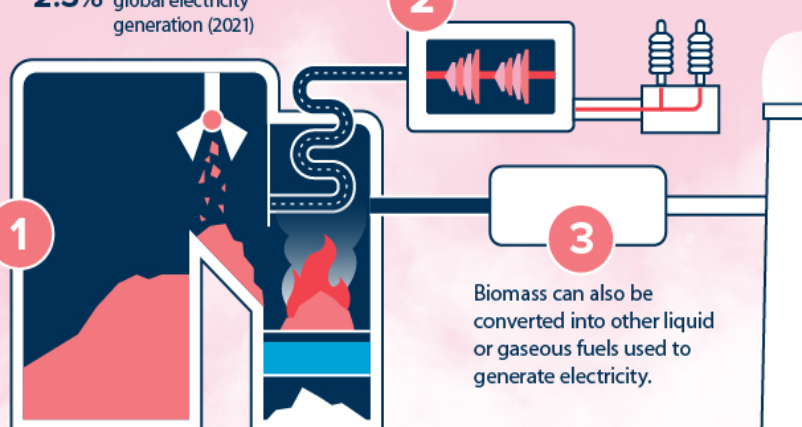
BIOMASS

2.3% global electricity generation (2021)

1 Biomass is burned in a boiler to produce steam.

2 Steam rotates the blades of a turbine connected to a generator that produces electricity.

3 Biomass can also be converted into other liquid or gaseous fuels used to generate electricity.



* Represents the lifetime cost of a new power plant divided by total generation

Peak Demand

The International Energy Agency (IEA), the international body that lobbies for and organises crude oil consuming countries (opposite to OPEC which regulates production), has produced several potential scenarios of crude oil demand.

The first is that oil demand reached its peak in 2019 at 98.3 million bpd. This scenario assumes oil demand does not recover to pre-covid levels. Covid has reduced economic activity due to lockdowns and its aftermath. Additionally, transportation, vehicles and aircraft, the main end sector for petroleum demand, has taken a massive hit. Working from home has significantly reduced commuting while decimated international passenger demand has grounded planes. These policies have yielded significant benefits in terms of reduced greenhouse gases and improved air quality. Decarbonisation policymakers have promoted these benefits. Assuming some of these gains can be embedded in business as usual while future decarbonisation initiatives to net zero by 2050 are accelerated then oil demand may have peaked in 2019 even when economic growth resumes.

A second possible scenario is a prolonged economic slowdown brought on by Covid which causes more lasting damage to the major economies. Sustained weaker economic growth rather than accelerated decarbonisation drives oil demand. Here pre-covid oil demand returns within this decade but only gradually.

Another potential forecast is a short sharp reduction in oil demand in 2020 with a bounce back within two years to pre-covid levels without a permanent reduction in economic output and no covid decarbonisation benefits windfall.

The first scenario will have the biggest impact on the oil market with significant geopolitical implications. This scenario models a 30-40% drop in crude demand and could hollow out the oil market if prices fall similarly. Production will concentrate in the Middle East with Russia providing a counter weight to OPEC dominance. Lower prices will lead to lower export revenues for Middle Eastern governments and lower GDP. They will have to raise income from other sources including taxing their citizens for the first time. The diversification of the economies of the Middle East from oil will need to accelerate and begin to pay dividends if the autocratic governments are to hold on to power.

Peak Supply

In the last two decades, debate in the oil market has shifted from peak supply to peak demand. Before new fracking technologies and extraction of oil sands in North America and the discovery of new reserves in Venezuela in the last two decades, the main discussion point was when would oil run out. In this context, those that controlled the oil fields in the Middle East namely Saudi Arabia would control not only their oil supplies but also the strategic interests of competing nations. George Bush senior famously spoke of wanting to end America's dependence on Middle Eastern oil imports following Iraq's invasion of Kuwait in 1990. The US built its strategic oil reserves and placed oil security at the top of its political agenda. America has since however reduced its demand for oil imports from 10 million bpd to less than 2 million bpd.

Supply is no longer a constraint on oil demand due to increases in US production with domestic output having risen 8.5% per annum in the last decade. Also there have been increases in output from South America, Africa and Iraq, following the US invasion.

Given these increases in crude production and new found reserves, supply is unlikely to be a constraint on the oil market, notwithstanding wars in the Middle East.

Transitioning Beyond Oil

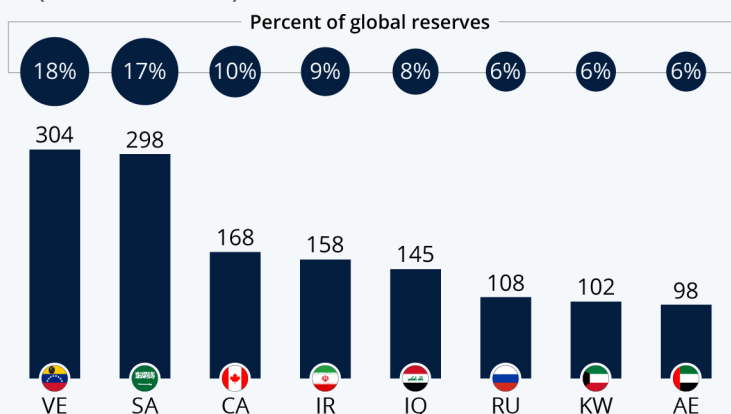
Throughout history, humans have gradually adopted new resources alongside the development and dispersion of new technologies. The process can take decades, however, as energy technology is introduced and slowly grows its share of the market. Only when

The Countries Sitting on the Largest Oil Reserves

Total proved oil reserves per country in 2020 (in billion barrels)*



Percent of global reserves



it obtains a sizable presence, or at least 20 percent of the market, does the new technology, and the resource it relies on, become a dominant force in global energy. For most of history, humankind used physical strength and wood to power society. But eventually, resource scarcity, urbanisation, development of large-scale mining and other factors enabled coal to supplant wood as the world's primary fuel source. Becoming popular first in the home and then in transportation and industry, coal fuelled the Industrial Revolution before eventually reaching its peak, where it accounted for about 70% of global energy consumption.

It took more than 80 years after the first commercial production of oil for the transportation sector to fully transition to oil-based vehicles. By the 1960s, oil's share of the market had peaked at 43%, though in absolute terms consumption continues to hover at maximum levels today.

Unlike coal, which enjoyed more than a century as the prevailing power source, oil has led the field for only a handful of decades. Now, not only has natural gas become a prevalent source of power, but several new competitors have also emerged on the energy scene, cutting into oil's marketplace predominance.

Regardless of which resource (or resources) rises to the top, oil will not disappear entirely, just as coal did not vanish before it. However, its importance will wane, as will the status of those that produce it. Historically, regions that possess substantial reserves of the dominant resource rise to global prominence. The Middle East gained the international spotlight when the age of oil began, while the islands used as loading and unloading depots for coal faded out of sight. So too, will other areas of the globe eventually attract attention away from the world's oil giants as the energy market shifts.

Whether the shift will be toward nuclear power, natural gas, renewables or some combination of the three, the shift away from oil is already under way.





Conclusions

At the beginning of 2022 the US remained the global superpower, but its position was looking precarious and wasn't assured. Two decades of war in Eurasia ended with the debacle of the Afghan withdrawal. But by the end of 2022 the US has got Europe and much of the world right behind it as Russia invaded Ukraine. The US has been able to use Russia's aggression to reconfigure a new order. Whilst confidence in the US globally is rock bottom the US is using the war in Europe to cut Russia from the global system and sending a clear message to China what will happen to her if she ever tries to reunify with Taiwan. Whilst this takes place externally, domestically US politics is becoming more and more divided and polarised and it's likely to get worse as the next presidential election gets closer.

Russia is now embroiled in a war, which it expected will be over quickly and easily but has now turned into a long war. The war has exposed a number of things about Russia which will impact it in the long term. Russia's military capabilities and all the talk of futuristic military systems turned out to be exactly that - talk. The bread and butter of warfare - armour, manoeuvre, artillery and occupation was seriously lacking from Russia's side. Despite all the talk of an alternative bloc emerging as an alternative to the western order in the end only Syria, North Korea and Cuba stood with Russia. China and India were reluctant to be seen in the Russian camp. The lack of allies has meant Russia has little in the way of pushing back and will likely lead her to pursue talks at some point, especially since it failed to strike a decisive blow.

With the US reeling from the debacle of the Afghan withdrawal and now busy in Europe, one would think this was an opportune time for China to re-

unify with Taiwan. But the lesson China has taken is with the US able to isolate Russia financially, economically and politically. The war in Ukraine rather than being an opportunity for China has shown her what can happen to her as she is integrating in the global system much more than Russia. China's internal challenges are also growing in scope and breadth with economic problems led by problems in the real estate sector. The trade war with America is in full swing with the US banning access to advanced semiconductors for China. China hasn't responded to this in any manner, for the moment and this presents a major issue for China's economy.

During the Trump administration transatlantic relations reached rock bottom as President Trump bullied Europe and talked about leaving NATO. With Russia's invasion of Ukraine the US has Europe firmly behind it, but this has created major economic issues for the region. Europe's reliance on Russian energy and the subsequent sanctions against her means Europe enters winter without a stable supply of energy from alternative sources. Europe has for long put this off into the future but this has come to bite it overnight as Russia invaded Ukraine and Europe responded by cutting ties with her key energy supplier. Despite the economic pain, Europe sees itself alongside the US and expects the US to provide her security in the face of this Russian onslaught.

At the beginning of 2022 there were many question marks over the US position and control of the global system, At the beginning of 2023 the US has put most of these to rest and whilst the war in Ukraine is not over, the US has been able to reconfigure much of the global system to its favour.

2023



Elections in Pakistan

Pakistan is due to have national elections by October 2023. It remains to be seen if these do take place. The last two years have seen significant instability in the country as the PTI led government of Imran Khan was removed from office in a vote of no confidence. This took place in the context of the now retired General Bajwa reaching out to the Sharif family after Imran Khan fell from grace. The tensions between a pro-Imran Khan faction within the army eventually lost out to Gen Bajwa's hand picked successor General Asif Munir. Whilst this has settled the dispute, the Pakistan Democratic Movement (PDM) led by Shabaz Sharif has struggled with the economy as inflation and debt go through the roof. Imran Khan continues his protests in order to get back into power. It's likely 2023 will be full of more instability than 2022.

Türkiye Elections

The AKP party will face its seventh general election in power, ever since it first emerged back in 2002. The AKP and its charismatic leader Recep Tayyip Erdoğan have ever since dominated Turkish politics and the opposition has failed to unify and challenge the AKP. But the elections in June 2023 take place in a much different context. Turkey has been struggling with inflation at 80%, increasing debt and a depreciating currency which has led many to question the AKP's stewardship of the economy, which Erdoğan for long gained credibility for. The AKP's approval ratings have been sagging and come with a number of rifts within the AKP as Erdoğan has centralised so much power. For the first time in two decades Erdoğan is not the clear favourite. With support from the ultra-nationalist Nationalist Movement Party (MHP), which is part of the People's Alliance with the AKP, Erdoğan will likely struggle to reach 50% of the vote share necessary for winning the presidential elections. As a result potential contenders among the opposition camp have begun to surpass Erdoğan in a one-to-one match. The opposition camp, led by the centre-left Republican People's Party (CHP), is more united than at any point under Erdoğan's rule. Erdoğan has control of most of the media and more resources than the opposition. We will need to watch if the economic problems can be used by the opposition to unseat Erdoğan.

Will Erdoğan deliver on Turkey's 100 year Promise?

Erdoğan has made a number of pledges to his supporters as Turkey celebrates the centenary of the Turkish republic in 2023. In December 2017 Erdoğan said "some details" in the Treaty of Lausanne were "unclear" and that they may need to be revisited. He had maps shown on Turkish television with the current borders extending beyond where they should be into Greece, Bulgaria, Armenia, Iraq and Syria. The Treaty of Lausanne saw the Mustafah Kemal government give up almost all the islands in the Aegean. Turkey was restricted in the Aegean Sea as her islands and beaches were given to Greece, and Turkey was prevented from exploiting the area for energy. Erdoğan has promised he plans to rectify this and in 2023 we will see if he delivers on what he says. Erdoğan is claiming he is trying to right this historical wrong.

Social Unrest in the Middle East

It's been over a decade since the Arab spring uprisings, but today the situation politically, financially and socially is far worse. In Egypt the people suffer from a faltering economy, whilst in Sudan and Algeria the rulers were forced to recently step down but demonstrations still continue. In Iran and Iraq protests against the regimes continue whilst in Lebanon the state has collapsed. Covid-19 made the already dire situation worse and the subsequent Ukraine war has led to wheat and energy prices to rise beyond the means of most people in the region. The conditions that led to the original Arab spring are today far worse. Over the last decade it would seem more nations are experiencing social unrest and it remains to be seen if 2023 will be the year for the next regional upheaval.

Middle East Debt Crisis

The COVID-19 pandemic exacerbated long-standing development challenges in the Middle East, contributing to a rise in poverty, a deterioration of public finances, an increase in debt vulnerabilities, and a further erosion of trust in government. The substantial borrowing that regimes incurred to finance health and social protection measures increased government debt. Egypt, Jordan and Tunisia all owe around 90% of GDP. Lebanon, which defaulted in 2020, has yet to restructure a debt pile that dwarfs its economy. Even with external support, the region will struggle to extract itself from a debt trap. 2023 will bring tight budgets, more shortages, and hardship for the region's people, which will exacerbate the existing social issues.

Divided America

Although the Republicans didn't do as well as expected in the 2022 midterm elections, social and cultural divides on abortion, guns and other hot-button issues continue to widen after a string of contentious Supreme Court rulings. Donald Trump's formal entry into the 2024 presidential race will pour fuel on the fire. The challenge for the US is that such internal divisions will eventually have an impact on America's global position. In 2023 it remains to be seen if American politicians use the issues that divide the nation to get to power, which would lead to such divisions to increase and make the US even more dysfunctional and possibly impact its global position.

Democrats lose House of Representatives

The Republicans were unable to make the slam dunk in the mid-terms that many were expecting, but they managed, with a slim majority to win the house of representatives, which will pose a major challenge to the remainder of President Biden's term. With the house they can oppose the president's legislative programme. Kevin McCarthy the Republican House leader said the Republican majority will be able to "stop [President Joe] Biden's socialist agenda, fire [current House Speaker] Nancy Pelosi. We're going to have the ability to change America." It's likely the second half of the Democratic term will be even more fractious than the first half of the term.

Where are Russia's allies?

As Russia invaded Ukraine and the US gathered its allies, Russia has struggled to form a bloc to counter all that is being thrown at it. Aside from North Korea, Cuba and Syria, no other nation has openly or fully committed to stand with Russia. India and China have been careful to not be seen to be fully in Russia's camp, despite benefiting from large discounts in energy. Russia is now under huge sanctions and effectively cut off from the global system and needs to build an alliance system that it can use to defend itself and push back. The fact that China and India are not fully on Russia's side is an indicator of the shallowness of their relations with Russia despite all the talk of a new bloc emerging. In 2023 Russia will likely need to make an offer to her allies they cannot refuse.

Russia's Military Takes a Major Hit

Russia's invasion of Ukraine has exposed the nation's military capabilities, which was for long used by the Kremlin to project an image of strength. Russia has for long showcased its futuristic weapons systems to build an image of strength. But the Ukraine war has shown that the more mundane things like artillery, tanks, armour and ground offensives, the more important aspects of making war is where Russia has struggled to strike a decisive blow. Russia has for long viewed power from the lens of military strength and this has now been undermined. In 2023 and beyond, Russia will need to carve out a victory in Ukraine in order to rebuild its military credibility.

Victory in Ukraine?

As winter arrived in Europe in December 2022 the war in Ukraine saw a fall in activity, but Russia was already in retreat losing Kharkiv and Kherson. The mobilisation of new Russian troops will take time and it's debatable how effective they will be on the front lines once deployed in numbers. The longer the war continues the more it will drain the Russian economy, which was already in recession as 2023 began. Russia's invasion has turned into a slow grinding war and in 2023 Russia will need to decide what victory looks like and achieve it before the war begins to bite domestically.

Uprising in China?

In December 2022 10 people died due to a house fire in Urumqi. Many locals took to the streets in protest as the emergency services were unable to reach them in time as the fire exits were welded shut due to China's strict lockdown rules. These protests then spread as many pushed back against the harsh lockdown rules, which has seen whole cities shut down for weeks due to a few COVID infections. This comes at the worst possible time for the CCP as the National Congress in October 2022 put in an image of strength as Xi Jinping began his third term in power. But with Hong Kong, Taiwan and Xinjiang already proving restive, the CCP's image of stability has taken a huge hit. In 2023 China will have to deal with its domestic issues alongside its many external challenges.

Confronting COVID-19

In 2023 one of China's most pressing challenges is confronting the coronavirus. Xi Jinping has put China in a corner with his "non-spread" policy, which relies on local lockdowns and strict restrictions to stop the spread of the disease. But his policy is now suffocating the economy and frustrating citizens who live under the constant threat of being quarantined. On the other hand, exiting from the "no virus spread" policy will lead to hospital overcrowding and hundreds of thousands of deaths, and will cause greater social and economic disruption than that resulting from gradual lockdowns and other intrusive restrictions. China is now caught between a raging disease and unpopular and costly lockdowns.

Recession Looms in 2023

A commodity crisis, supply chain crisis and energy price hikes crisis makes a recession in 2023 almost certain. But as energy and food prices rocketed, inflation went from temporarily elevated to being a persistent, double-digit problem. The winter in the northern hemisphere will likely send energy prices higher, exacerbating the cost of living crisis many are already facing. Many in the West have never recovered from the global economic crisis from 2008, another looming recession will in all likelihood create tensions in the developed world.

Semiconductor wars

In 2022 the Biden administration imposed a raft of sanctions against China that severely restricted access to semiconductor technology. The restrictions include US companies being banned from operating in China as well as banning semiconductor machine manufacturing companies from selling to China. US actions against Russia have shown China the repercussions if it decides to move against US interests, but China needs to come up with some plans in 2023 and beyond to push back against the US, otherwise China will never get any way close to challenging the global order. With semiconductors being at the centre of technology, the outcome of this tech war will impact who will be the global power.

Deglobalisation

The era of globalisation officially ended in 2022 as the US implemented the Inflation Reduction Act 2022 (IRA). Its measures include \$370 billion in subsidies and tax breaks for green investment. But a key condition for this is most of the supply chain for qualifying goods needs to be in North America. This provoked the ire of Europe as it will poach cutting-edge and strategic European industries from Europe. Public opinion against globalisation has been growing for some time with industries moving abroad and the vulnerable global supply chains. In 2023 and beyond the decoupling will expand leading to economic nationalism and possibly war

India to replace China as world's largest population

By July 2023 India is forecast to overtake China as the world's most populated nation. With 1.4 billion people India will overtake China, but this number presents challenges for both India and China. For India it means the government needs to feed, educate, house and fulfil the basic needs of an ever growing populace. India will need to generate 90 million non-farm jobs between 2023 and 2030 in order to absorb new workers. To create jobs at such a massive scale, India's GDP will need to grow by 8 to 8.5% annually over the next decade. For China this comes at the worst possible time. Whilst China struggled with massive population growth in the past, in 2021 China's population grew at its slowest rate and is expected to begin declining in a few years. Whilst China needs more workers of working age, its population decline comes at the worst possible time. Is this the point where India replaces China to be a power?



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