The Post Post-Cold War World

Russia-Ukraine War & Its Consequences
The Post Post-Cold War World

**Opening: SURPRISES**
- Russian Miscalculations
- Ukrainian Courage
- Western Resolve
- Sanctions' Scope
- Divestment Speed
- Bipartisanship Holding

**Middle: UNCERTAINTY**
- How Far Does Russia Go?
- Will War Undermine Recovery?
- Will Sanctions Prove Effective?
- Food Insecurity = Political Unrest?
- Extent of Humanitarian Crisis?
- Expansion of Business Divestment?
- Do Midterms Undermine U.S. Unity?
- Does America Have Staying Power?

**Endings: NEW ORDER**
- Putin as Permanent Pariah
- Drive to Reduce Dependencies
- China’s Sanction-Proofing Imperative
- Battlefields Expanded
- Era of Business Neutrality Over
- Key Trends Accelerated
- Questions & Big Picture
Opening:

SURPRISES
RUSSIAN MISCALCULATIONS

Putin Planned for the Last War (Crimea)

Russia Overwhelmingly Stronger…

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<th>Russia</th>
<th>Ukraine</th>
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<tbody>
<tr>
<td>Military spending</td>
<td>11.4%</td>
<td>8.8%</td>
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<tr>
<td>(as % of govt expenditure)</td>
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<td>Armed forces personnel</td>
<td>900,000</td>
<td>196,600</td>
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<tr>
<td>Nuclear warheads</td>
<td>6,257</td>
<td>0</td>
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<tr>
<td>Population size</td>
<td>144 million</td>
<td>44 million</td>
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<tr>
<td>Economy</td>
<td>1.483 trillion (GDP 2020 current USD)</td>
<td>156 billion (GDP 2020 current USD)</td>
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The US has provided Ukraine with over $2.5 billion in military aid since 2014. The UK has trained 22,000 Ukrainian troops since 2014 and recently gave Ukraine 2,000 anti-tank weapons.

… But Putin Miscalculated

**Overestimated:**
- Russian military effectiveness
- Post-Crimea sanction-proofing
- Western division & energy dependence
- Chinese support

**Under-Estimated:**
- Zelenskyy leadership & Ukrainian will
- U.S. ability to rally NATO & the EU
- Stakeholder capitalism & MNC reactions
- U.S. / UK preempting false flags
Zelenskyy Meets the Moment with Guts & Social Media Savvy

“I need ammunition, not a ride.”

WWW (What Would Winston Tweet)?

Zelenskyy social media followers skyrocket

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<th></th>
<th>Twitter</th>
<th>Instagram</th>
<th>Facebook</th>
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<tr>
<td>Feb. 8, 2022</td>
<td>408,074</td>
<td>9,270,923</td>
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<td>Mar. 8, 2022</td>
<td>5,163,974</td>
<td>15,462,412</td>
<td>2,448,524</td>
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“The West has rediscovered its voice. Faced with the raw, primitive onslaught by Russia against a flawed but aspiring democracy like Ukraine, the free world has been aroused.”

-- Tom Friedman, NYT, 3/6/22
Sanctions’ Scope

Surprises:

- Massive Impact so far
  - Russian Stock Market: -35.9%
  - Russian Inflation: 20%
  - Value of Currency: -40%
  - GDP change expected in 2022: -8%
  - Brain Drain: 43% of Russians age 18-24 wanted to permanently leave before war

Unprecedented Sanctions

- Cut off largest banks from global financial system (SWIFT)
- Froze central bank assets (preventing defense of currency)
- Blocked access to technology, spare parts, flights, export markets
- Confiscated oligarch property

Sources: Ruble; Inflation; MOEX; Russia GDP (central bank); brain drain
Surprises:

SPEED OF BUSINESS DIVESTMENT & SUSPENSIONS

Sanctions’ Strictures + Stakeholder Pressure = Unwinding Decades of Investment in 2 Weeks

Source: Yale Management Professor Jeffrey Sonnenfeld running list
“We the United States of America stand with the Ukrainian people.”
– President Joe Biden, 3/1/22 State of the Union address to Congress, bipartisan standing ovation

Surprises:

One week later the House of Representatives voted...

361-69 to aid Ukraine ($13.6B) & fund other priorities and

414-17 to ban Russian oil imports
Middle:

UNCERTAINTY
HOW FAR DOES RUSSIA GO? WHERE WILL IT END?

Massive Escalation Risks, Few Clear Off-Ramps

Uncertainties:

1. Cut losses to save economy?
2. Battlefield gains to improve negotiating position?
3. Wait for West to grow tired, divided & angry?
4. China will save Russia’s economy?
WILL WAR UNDERMINE RECOVERY?

Uncertainties:

Energy Shocking

Shortages Worsening

Inflation Persisting

Growth Slowing

Sources: Gas; Inflation; Growth
WILL SANCTIONS PROVE EFFECTIVE?

Is Energy Exemption Too Big?

Are There Banking Backdoors?

Will Russian Citizens Know the Truth?

Will Other Nations Throw a Lifeline?

Russian Exports
- Hydrocarbons
- Precious Stones
- Iron & Steel
- Cereals
- Machinery
- Wools & Articles
- Fertilizers
- Copper & Articles
- Aluminum & Articles
- Fish & Crustaceans

Sources: Russia 2020 exports;
HOW BAD WILL FOOD INSECURITY GET?

War in Europe’s “Breadbasket” Threatens Wider Food Insecurity

1 of every 8 calories traded between countries comes from Ukraine & Russia...

Food insecurity has consistently led to civil unrest, both recently (“Arab Spring”) & historically...

Uncertainties:
Food insecurity has consistently led to civil unrest, both recently (“Arab Spring”) & historically...

Sources: Geopolitical Futures via Mauldin Economics; Lagi, Bertrand & Bar-Yam
## Extent of Humanitarian Crisis?

### Uncertainties:

### Millions Displaced, Fleeing to Europe Amidst Populism & Pandemic

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<tr>
<th>Largest Refugee Crises (M)</th>
<th>Low Estimate</th>
<th>High</th>
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<td>WW2 (40's, 50's)</td>
<td>40</td>
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<td>Partition of India (1947-48)</td>
<td>10</td>
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<td>WW1 (1914-18)</td>
<td>5</td>
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<td>Bangladesh (70s)</td>
<td>10</td>
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<td>Ukraine (2022)</td>
<td>2.8</td>
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<td>Syrian Civil War</td>
<td>6.8</td>
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<td>Soviet-Afghan War (80s)</td>
<td>6.2</td>
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<td>Venezuela (2014-)</td>
<td>6</td>
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<td>Palestine (1947-)</td>
<td>5.6</td>
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<td>Korean War (50s)</td>
<td>1</td>
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<td>Indochina (1975-2000)</td>
<td>3</td>
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<td>Yugoslavia (1991-01)</td>
<td>2.4</td>
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<tr>
<td>Iraq War (2000s)</td>
<td>2.2</td>
<td></td>
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<td>Rwanda (1994-96)</td>
<td>2.1</td>
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<tr>
<td>Iraqi Uprising (1991)</td>
<td>1.8</td>
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</table>

### What Could Drive the Largest Refugee Crisis in 50 years

- **WAR**
  - Ukrainian refugees
  - Food Crisis & Political Unrest
  - Middle East / African refugees
- **Sanctions**
  - Russian emigres

Sources: [Wikipedia](https://en.wikipedia.org); Ian Bremmer (estimates 5-10M displaced Ukrainians)
Uncertainties:

Pressure to Divest Will Grow, Both in Russia & Beyond

DIRECT
Stop doing business in & with Russia.

INDIRECT
Stop doing business with companies who remain in Russia.

ADJACENT
Stop doing business with other bad global actors guilty of:
- Genocide?
- Assassination?
- Human Rights abuses?
- Environmental crimes?
Have Politics Ever Stopped at the Water’s Edge?

Uncertainties:

How Russia-Ukraine Will Feature in 2022 Midterm Election Fights

1. **INFLATION**: “Bidenflation” -or- “Putin’s Price Hike”?

2. **MILITARY**: “Afghan failure emboldened Putin” -or- “Biden rallied the West”?

3. **ECONOMY**: Return of recession & shortages -or- solid growth despite war & pandemic?

4. **ENERGY**: Green new dealers (foreign oil, high gas $$) -or- climate deniers (deadly weather)?

5. **LEADERSHIP**: Congress pushed Biden to be tougher every step -or- the most masterful coalition-building since GHW Bush?

6. **ANY PEACE DEAL**: Appeasement -or- success?
America Has the Punching Power... Do We Have the Staying Power?

The 2019 Global Health Security Index ranked the U.S. best prepared to deal with a pandemic... but it failed to account for low public trust in institutions & government...

The 2021 Global Firepower index ranks countries’ militaries based on 50 factors including financing, resources, tech, logistical capability & geography... it does not weigh trust & partisanship

### The Countries Best Prepared To Deal With A Pandemic

<table>
<thead>
<tr>
<th>Country</th>
<th>Index Score</th>
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<tbody>
<tr>
<td>United States</td>
<td>83.5</td>
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<tr>
<td>United Kingdom</td>
<td>77.9</td>
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<td>Netherlands</td>
<td>75.6</td>
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<tr>
<td>Australia</td>
<td>75.5</td>
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<td>Canada</td>
<td>75.3</td>
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<td>Thailand</td>
<td>73.2</td>
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<td>Sweden</td>
<td>72.1</td>
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<td>Denmark</td>
<td>70.4</td>
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<tr>
<td>South Korea</td>
<td>70.2</td>
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<tr>
<td>Finland</td>
<td>68.7</td>
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</table>

*2019, 100 = greater level of preparation. Index benchmarks health security on factors critical to fighting disease outbreaks.

Source: 2019 Global Health Security Index

### The World's Most Powerful Militaries

<table>
<thead>
<tr>
<th>Country</th>
<th>PowerIndex (0.000=perfect/most powerful)</th>
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<tbody>
<tr>
<td>United States</td>
<td>0.045</td>
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<tr>
<td>Russia</td>
<td>0.050</td>
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<tr>
<td>China</td>
<td>0.051</td>
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<tr>
<td>India</td>
<td>0.098</td>
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<td>Japan</td>
<td>0.120</td>
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<td>South Korea</td>
<td>0.126</td>
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<tr>
<td>France</td>
<td>0.128</td>
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<tr>
<td>UK</td>
<td>0.138</td>
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As of January 2022. Takes into account (among others): weapon numbers, weapon diversity, natural resources, available industries, manpower, financial stability

Source: Global Firepower

Sources: [GHSI](#); [Trust](#); [Firepower](#)
Endings: NEW ORDER
RUSSIA UNDER PUTIN: PERMANENT PARIAH

RUSSIA UNDER PUTIN: PERMANENT PARIAH

Life Behind the New Iron Curtain

Putin’s Future Includes:

• Re-energized & rearming NATO
• Slower growth, higher inflation, less wealth, weaker military (tech access)
• Increasingly dissatisfied citizens
• Attacks on personal wealth & assets of closest supporters
• Fear of coups & unrest

Russians’ Future Entails:

• Lower standard of living & growth
• Fewer jobs with global companies
• Less access to Western goods & services
• Fewer markets for Russian workers
• Less Freedom & access to information
• Fewer opportunities to engage globally

Big defeats have catalyzed leadership changes:

- 1856 (Crimean war) → Alexander II’s liberal revolution
- 1905 (Russo-Japanese War) → 1st Russian Revolution
- 1917 (WWI) → Bolshevik Revolution
- 1962 (Cuba) → Khrushchev’s removal
- 1991 (Afghanistan) → Soviet collapse

End Games:
End Games:

ACCELERATED DRIVE TO REDUCE DEPENDENCIES

Greater Self-Sufficiencies, More Reliable Supply Chains
(U.S., China, EU, India reassessing globalization’s vulnerabilities)
CHINA: SANCTION-PROOFING IMPERATIVE

China’s Checklist for Sanction-Proofing post-Russia-Ukraine

Decrease dependencies on U.S.

- Control domestic Internet
- Control sea lanes to protect imports
- Dominate trade in strategic areas (e.g. critical minerals)
- Reduce dependence on exports ($676B trade surplus in 2021)
- Become “Too Big to Bail” for MNCs to divest
- Diversify $3.2T currency reserves out of Western reach
- Greater food security
- Greater energy security (China imports >70% of oil consumption, >40% of natural gas)
- Reduce dependence on SWIFT banking system, dollar dominance (accelerate efforts to launch a digital RMB, expand CIPS)
- Semiconductors self-sufficiency (China imports >80% of chips it needs)

Increase dependencies on China
End Games:

New Techniques & Technologies Transforming Warfare

- Social media rallies allies & shames sideliners
- Low-cost drones offset air power inferiority; tanks struggling
- Intelligence releases preempt lies & undermine false flags
- Massive sanctions increase economic cost of aggression
- Commercial satellite broadband maintains connectivity
- Hackers sow chaos in enemy infrastructure & comms
THE ERA OF BUSINESS NEUTRALITY IS OVER

Why Businesses Are Increasingly Taking Stands on Societal Issues

- **Generational**: Younger workers & consumers demanding
- **Technological**: Nowhere to hide; Internet = radical transparency & ubiquitous global reach
- **Activist-Driven**: Agents of change leveraging new tools & venues
- **Investor-Embraced**: Managers favoring ESG assets & wielding proxy power
- **It’s an Age of Disruption**: The same trends animating global populism are likewise pushing business leaders to engage & offer solutions
End Games:

**KEY TRENDS ACCELERATED**

**Energy Transition**

- New Urgencies (climate AND national security)
- New Priorities (renewables AND domestic production)
- New Geography (metals, manufacturing, storage, transmission, distributed systems)

**Deglobalization**

- Nationalism (self-sufficiency sought in chips, energy, resources, & military)
- Populism (backlash against Big-Global-Elite favors protectionism, regulation, splinternet & isolationist impulse)
- Rebalancing (new bipolarity as regions leverage & navigate rising U.S.-China competition)

**Regulating Tech**

- Cyber security / AI, IoT
- Social media (speech, disinfo & de-platforming)
- Crypto currencies / DeFi

**Stakeholder Capitalism**

- Activists emboldened, redoubling push
- ESG’s Social becomes more global
- Businesses adapt (navigate rising nationalism & populism via deeper & local stakeholder engagement)
Questions & Big Picture:
NOW WHAT?
THE HARD QUESTIONS

Putin’s Ultimate Success or Failure Will Inform Us…

- Are nations greater threats when they are more globally-integrated or more isolated?

- Does destroying an enemy’s economy pressure its leadership or rally its public against an external foe?

- Does social media empower or undermine tyrants, and who gets to decide who can use platforms?

- Should we prioritize decarbonizing or developing Western energy sources?

- Are businesses motivated by sanctions’ strictures (cannot get paid in Russia) or morality (divestment is the “right thing to do”)?
## THE POST POST-COLD WAR WORLD

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Sources: [Trade](Global Merchandise Exports as % GDP); [Immigrants & Race](Census); *except when saving the world… twice

- Moscow McDonalds Opens 1990
- Moscow McDonalds Closes 2022
- Post Cold War

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### Globalization

- Pax Britannia
- World at War
- Pax Americana
- ?????
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