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

*The Post Post-Cold War World*
Opening:

SURPRISES
RUSSIAN MISCALCULATIONS

Putin Planned for the Last War (Crimea)

Russia Overwhelmingly Stronger…

<table>
<thead>
<tr>
<th></th>
<th>Russia</th>
<th>Ukraine</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military spending (%)</td>
<td>11.4%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Armed forces personnel</td>
<td>900,000</td>
<td>196,600</td>
</tr>
<tr>
<td>Nuclear warheads</td>
<td>6,257</td>
<td>0</td>
</tr>
<tr>
<td>Population size</td>
<td>144 million</td>
<td>44 million</td>
</tr>
<tr>
<td>Economy</td>
<td>1.483 trillion (GDP 2020 current USD)</td>
<td>156 billion (GDP 2020 current USD)</td>
</tr>
</tbody>
</table>

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
Surprises:

Zelenskyy Meets the Moment with Guts & Social Media Savvy

“I need ammunition, not a ride.”

WWWT (What Would Winston Tweet)?

Zelenskyy social media followers skyrocket

<table>
<thead>
<tr>
<th>Date</th>
<th>Twitter</th>
<th>Instagram</th>
<th>Facebook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 8, 2022</td>
<td>408,074</td>
<td>9,270,923</td>
<td></td>
</tr>
<tr>
<td>Mar. 8, 2022</td>
<td>5,163,974</td>
<td>15,462,412</td>
<td>2,448,524</td>
</tr>
</tbody>
</table>
Surprises:

“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
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

In the next 2 weeks the House of Representatives voted…

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

414-17 to ban Russian oil imports and

424-8 to end permanent normal trading relations with Russia
Middle: UNCERTAINTY
Uncertainties:

HOW FAR DOES RUSSIA GO? WHERE WILL IT END?

Massive Escalation Risks, Few Clear Off-Ramps

2008 / 2014: Georgia / Crimea

Donbas “independent”

Humanitarian Crisis

Annex Ukraine?

Cyber vs West?

Engage NATO?

Use WMD?

WHAT’S PUTIN THINKING?

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:

1. **Energy Shocking**
   - Chart showing regular gas price (US $/gal) from 2020-2022.

2. **Shortages Worsening**
   - Image with text "HELP WANTED".

3. **Inflation Persisting**
   - Chart showing inflation rate from 1960 to 2020 with a peak at 7.9% in 2022.

4. **Growth Slowing**
   - Bar chart showing GDP impacts with 2022, 2023, and 2024 data for Russia, Eurozone, UK, US, and World.

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

Is Energy Exemption Too Big?

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

Sources: Russia 2020 exports;

Will Russian Citizens Know the Truth?

- CBS News
- BBC
- Al Jazeera
- New York Times
- CNN
- Bloomberg
- Voice of America
- Deutsche Welle
- RadiofreeEurope
- TikTok

Sources: Russia 2020 exports;

Will Other Nations Throw a Lifeline?

- 13th BRICS Summit
- H.E. Cyril Ramaphose
- Mohammad Bin Salman
- H.E. Jair Bolsonaro

Sources: Russia 2020 exports;

Are There Banking Backdoors?
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...

Sources: Geopolitical Futures via Mauldin Economics; Lagi, Bertrand & Bar-Yam
EXTENT OF HUMANITARIAN CRISIS?

Millions Displaced, Fleeing to Europe Amidst Populism & Pandemic

Largest Refugee Crises (M)

- WW2 (40's, 50's): 40
- Partition of India (1947-48): 10
- WW1 (1914-18): 5
- Bangladesh (70s): 10
- Ukraine (2022): 10
- Syrian Civil War: 6.8
- Soviet-Afghan War (80s): 6.2
- Venezuela (2014-): 6
- Palestine (1947-): 5.6
- Korean War (50s): 1
- Indochina (1975-2000): 3
- Yugoslavia (1991-01): 2.4
- Iraq War (2000s): 2.2
- Rwanda (1994-96): 2.1
- Iraqi Uprising (1991): 1.8

Sources: Wikipedia; UN (10M displaced internally or refugees)

What Could Drive the Largest Refugee Crisis in 50 years

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

**WILL MIDTERM POLITICS UNDERMINE U.S. UNITY?**

Have Politics Ever Stopped at the Water’s Edge?

- 1964 LBJ vs Goldwater
- 1984 Reagan vs Mondale
- 1988 Bush vs Dukakis
- 2002 GOP vs Max Cleland
- 2006 Dems vs GOP

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

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

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

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

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**The World's Most Powerful Militaries**

<table>
<thead>
<tr>
<th>Country</th>
<th>Index Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>0.045</td>
</tr>
<tr>
<td>Russia</td>
<td>0.050</td>
</tr>
<tr>
<td>China</td>
<td>0.051</td>
</tr>
<tr>
<td>India</td>
<td>0.098</td>
</tr>
<tr>
<td>Japan</td>
<td>0.120</td>
</tr>
<tr>
<td>South Korea</td>
<td>0.126</td>
</tr>
<tr>
<td>France</td>
<td>0.128</td>
</tr>
<tr>
<td>UK</td>
<td>0.138</td>
</tr>
</tbody>
</table>

As of January 2022. Takes into account (among others): weapon numbers, weapon diversity, natural resources, available industries, manpower, financial stability.

Source: Global Firepower
Endings:

NEW ORDER
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:

ACCELERATED DRIVE TO REDUCE DEPENDENCIES

Greater Self-Sufficiencies, More Reliable Supply Chains
(U.S., China, EU, India reassessing globalization’s vulnerabilities)
China’s Checklist for Sanction-Proofing post-Russia-Ukraine

- 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)
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
End Games:

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

- 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Geopolitics</th>
<th>World Trade</th>
<th>U.S. Foreign Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1870</td>
<td>Pax Britannia</td>
<td>Increased 32%</td>
<td>Imperialist</td>
</tr>
<tr>
<td>1880</td>
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<td>1890</td>
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<tr>
<td>1900</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1910</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1920</td>
<td>World at War</td>
<td>Fell 64%</td>
<td>Isolationist*</td>
</tr>
<tr>
<td>1930</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>1940</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1950</td>
<td>Pax Americana</td>
<td>Increased 366%</td>
<td>Cold Warrior</td>
</tr>
<tr>
<td>1960</td>
<td></td>
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<td></td>
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<tr>
<td>1970</td>
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<tr>
<td>2020</td>
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<tr>
<td>2030</td>
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</tbody>
</table>

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

### GLOBALIZATION

**Technology**
- 1870: Railways
- 1880: Electric Light
- 1900: Automobile
- 1920: Airplane
- 1940: Atom
- 1960: Computer
- 1980: Internet
- 2000: Mobile
- 2020: 4th Industrial Revolution

**Post Cold War**
- Moscow McDonalds Opens 1990
- Moscow McDonalds Closes 2022
- Post Cold War
Mehlman Castagnetti
Rosen & Thomas

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