

Ukraine, Europe and the re-routing of globalisation

Alan Cafruny and Vassilis K. Fouskas

Abstract

The fighting in Ukraine continues to escalate and there is little prospect of a negotiated settlement. Contrary to the dominant western narrative, ideology played at most a secondary role in Vladimir Putin's decision to invade. A deeper and more comprehensive explanation for the invasion situates the predicament of the Russian ruling class – and thus the Russian government – within the context of the decades-long project of NATO encirclement, greatly enhanced by a series of specific provocative actions and decisions taken by Kyiv and Washington in 2021 and early 2022. The structural socio-economic basis of NATO expansion is the stagnation of the Euro-Atlantic area, and Europe in particular, at least since 2007 compared to the relative rise of Asian economies, especially China. As argued in our previous contribution in this journal, the key parameter of U.S. neo-imperial strategy in Europe-Asia remains embedded in Cold War politics, namely that U.S. hegemony in Eurasia rests on the exclusion of Russia from European affairs and the prevention of a geo-economic axis between Berlin, Moscow and Beijing. Even as the war may result in a final settling of accounts in the U.S.-Russia relationship, it is deepening the economic asymmetries in the transatlantic relationship, casting the EU – and especially Germany – into serious crisis.

The fighting in Ukraine continues to escalate and there is little prospect of a negotiated settlement. The dominant western narrative – now obligatory within the western media and foreign policy establishments – asserts that Vladimir Putin's *ultimata* to NATO and the United States in December, 2021, his recognition of the Donetsk and Luhansk rebel territories on February 21, and the launching of an invasion three days later were *unprovoked*, deriving from domestic political imperatives or messianic imperial nostalgia.ⁱ

Yet, domestic and ideological factors played a very limited role in Moscow's justification

for the invasion. A deeper and more comprehensive explanation for the invasion that this article attempts at carrying out situates the predicament of the Russian ruling class – and thus the Russian government – within the context of the decades-long project of NATO encirclement and a series of specific provocative actions and decisions taken by Kyiv and Washington in the second half of 2021 and early 2022.ⁱⁱ Furthermore, we argue that the socio-economic sub-stratum of NATO’s aggressive expansion is rooted in the stagnation of western economies, especially of the economies of EU states, at least since the onset of the global financial crisis in 2007. At the same time, the economic policy drive of the U.S leads to the erosion of European industry, disrupting global supply chains and trade, thus pushing towards a re-routing of globalization strengthening the economic and political polarization between the U.S. and China. Ukraine has become an ideal battleground for all these underlying tendencies and contradictions of the global system to come to the surface and unfold clearly and empirically. The U.S, after all, never wanted to see any form of integration between Russia, eastern Europe, the Balkans, and western Europe. The key parameter of U.S. neo-imperial strategy in Europe-Asia remains embedded in Cold War geo-politics, namely that U.S. hegemony in Eurasia rests on the exclusion of Russia from European affairs and the prevention of a geo-economic axis between Berlin, Moscow and Beijing.ⁱⁱⁱ Even as the war may result in a final settling of accounts in the U.S.-Russia relationship and beyond, it has also thrown into increasingly sharp relief the growing conflict of class interests and complex geopolitical asymmetries and contradictions in the transatlantic relationship.

Origins and evolution of the proxy war

The seeds of U.S.-Russian conflict were planted in the early 1990s as Washington presided over an “economic Versailles”, a project of savage shock therapy and privatization involving

a 43% decline in Russia's GDP and assisted every step of the way the inevitable slide to authoritarianism under Boris Yeltsin.^{iv} At the same time NATO, under U.S. leadership, systematically excluded Russia from any but a subordinate role in the post-Cold War security architecture, a strategy that numerous leading U.S. officials and scholars persistently warned would inevitably lead to significant conflict if not war.^v

The long road to war

Russia's security concerns deepened as NATO gradually expanded into central and eastern Europe, the United States carried out massively destructive wars in Serbia, Libya, and Iraq without United Nations authorization, withdrew from a succession of arms control agreements, and constructed regional missile defence platforms in Romania and Poland.^{vi} At the Bucharest NATO summit of 2008 the United States insisted, against opposition from Berlin and Paris, on a declaration that Ukraine and Georgia would eventually join NATO. Encouraged by the Bush administration, Georgian President Mikhail Saakashvili ordered attacks on Russian forces in the contested enclave of South Ossetia, provoking a Russian counterattack followed by a complete withdrawal after five days.^{vii} In February, 2014, the United States supported an illegal and violent seizure of power in Kyiv and presided over the establishment of an essentially client government as Ukrainian statehood became predicated on confrontation with Russia and, hence, the suppression of ethnic Russians in eastern Ukraine and Crimea.^{viii} France and Germany then failed to support the Minsk agreement of 2015, which by consensus had provided a basis for ending the ensuing civil war in eastern Ukraine, support for which was a major factor in Volodymyr Zelensky's victory in the presidential campaign of 2019.

A series of specific provocative actions taken by Kyiv and Washington in 2021 and early 2022 served as the tipping point.^{ix} These included Zelensky's establishment in March,

2021 of a “Crimean Platform” promising to re-conquer Crimea; “a new strategic defense framework” for Ukraine designed to establish NATO “interoperability;” substantial increases of artillery exchanges between Ukrainian forces and the self-proclaimed republics in which 81% of the casualties were Russian-speaking civilians and soldiers;^x Zelensky’s assertion at the Munich Security Conference five days before Russia’s invasion of Ukraine’s right to reacquire nuclear weapons; NATO exercises in the Baltics, Poland, and Black Sea, and the signing in November, 2021 of a joint U.S.-Ukrainian Charter on Strategic Partnership guaranteeing Ukraine’s future membership in NATO; this latter initiative characterized by the distinguished conservative historian Robert Service, a harsh critic of the Kremlin, as a “strategic blunder” and “the last straw for Moscow”.^{xi}

The dogmatic assertion of an “unprovoked” invasion ignores all of these underlying and immediate factors. From the point of view of international law, Russia’s invasion was illegal and unjustified but this moral-legal assertion absolves the United States and NATO of all responsibility for the war and denies the obligation to explore the bases for a peaceful solution including the Ukrainian people as legitimate agency, thereby condemning all Ukrainians to unspeakable horrors even as the prospect of victory would almost certainly provoke a catastrophic escalation. It underpins the Biden Administration’s narrative of a coming global battle between “western liberal democracies”, on the one hand, and “Chinese and Russian authoritarianism”, on the other, in which Ukraine is the preliminary battleground whereas a subaltern Europe is fully incorporated into Washington’s neo-imperial design in Eurasia. The U.S. communication and media strategy, often referred to as “information warfare,” extinguishes the memories of “forever wars” in Iraq and Afghanistan and consolidates the neo-conservative restoration in Washington as well as European capitals.

It is no small irony that even within the corridors of power the aforementioned dogmas have been decisively repudiated. Six months into the war, the Ukrainian government published a “blacklist” of individuals promoting “narratives consonant with Russian propaganda,” including assertions that the invasion was provoked and that the United States is waging a “proxy war” with Russia in Ukraine.^{xii} There is no shortage of former leading members of the U.S. foreign policy establishment who would qualify for inclusion. For example, former CIA Director, Leon Panetta, has acknowledged that “we are engaged in a conflict here. It’s a proxy war with Russia, whether we say so or not”.^{xiii} The former Supreme Allied Commander of NATO, Philip Breedlove, has stated that “I think we are in a proxy war with Russia. We are using the Ukrainians as our proxy forces”.^{xiv} Anthony Cordesman has observed that “the war in Ukraine has become the equivalent of a proxy war with Russia, and a war that can be fought without any U.S. casualties (...). Most of our European partners and allies are suffering far more from the economic consequences of their support for Ukraine and rise in global energy costs than Americans”.^{xv} According to Hal Brands, “Russia is the target of one of the most ruthlessly effectively proxy wars in modern history (...). The key is to find a committed local partner – a proxy willing to do the killing and dying”.^{xvi} As the time goes by, it become clearer and clearer that the U.S. is not only conducting a proxy war against Russia but aims at piercing Russia’s European heartland – that is, Eastern Europe, the Balkans, the Black Sea and the Eastern Mediterranean as a whole-- and thereby seeking to ‘block China’s economic and cultural penetration.^{xvii}

Consequences of the War

Putin’s designation of war until December 2022 as a “special military operation” apparently reflected his expectation of a short campaign culminating in regime change.^{xviii}

However, he badly misjudged the effectiveness of the Ukrainian armed forces, strengthened over the years by NATO hardware and the information-intelligence structures embedded in Ukraine's civil and public institutions. Further, the Kremlin underestimated the willingness and ability of the United States and NATO to continuously provide Ukraine with weapons and training and use Ukraine as a proxy *ad infinitum* in order to weaken the Russian regime, subordinate the EU and exclude Russia from geopolitical networking with Germany.^{xix} The ill-conceived *blitzkrieg* encountered stiff political and military resistance on the road to Kyiv and Russia's forces, after the folding of the political plot, were compelled to retreat. At the outset, Russian units did, however, advance successfully into the newly annexed territories in Luhansk and Donbass and also to the southeast to Kherson and Mariupol. Assisted by substantial flows of NATO weapons, Ukrainian forces also mounted successful counteroffensives in the east and south, retaking Kharkiv and Kherson, threatening Russia's land access to Crimea, and conducting aerial attacks on Russian forces in the Black Sea, Crimea, and deep into the Russian Federation. However, in September 2022, Putin announced the mobilization of 300,000 troops, half of which had been deployed by mid-December. In the south, Russia established a defensive line following its retreat from Kherson. Its main focus shifted to the Donbass and the strategically significant city of Bakhmut, while also sending forces to Belarus as a possible staging area for a renewed assault on Kiyv. Notwithstanding their limitations, Russian armed forces have apparently regrouped and remain formidable. Despite the exodus of hundreds of thousands of potential conscripts and considerable anti-war sentiment within Russia, the population as a whole seems to be supporting the war.^{xx}

By December 20, 2022 the United States had allocated \$68 bn in military and economic assistance to Ukraine, with a further \$15 bn from members of NATO and the EU. In November

2022 the White House had asked Congress for another \$37.7 bn.^{xxi} These figures – which exclude humanitarian assistance and other forms of aid – are greater than the expected Russian military budget of 2023, which stands at \$80.9 bn.^{xxii} Following Volodymyr Zelensky’s visit to Washington on December 22, 2022, the Biden administration provided a further \$1.7 billion military aid package, including Patriot air defense missiles, representing a significant escalation of the war. On December 23, 2022, the House passed the \$1.7 trillion omnibus spending bill, already approved by the Senate, including a further \$45 billion in military and economic aid to Ukraine as well as general increases in U.S. military spending to enable further supplies to NATO forces. In January 2023, the United States, France and Germany agreed to send additional Patriot missiles, Leopard tanks, and armored vehicles, representing a further significant escalation. In February 2023 the U.S. announced plans to provide Ukraine with longer-range missiles systems. Almost every NATO power is supplying Ukraine with weapon systems and ammunition. Even impoverished Greece was pushed to assist Ukraine’s war effort with hardware the country had deployed on East Aegean islands in order to deter possible Turkish aggression. The war has provided a windfall for the German and U.S. military industrial complexes. U.S. arms sales to NATO allies doubled in 2022.^{xxiii}

The proxy war has further consolidated U.S. geopolitical hegemony in Europe. U.S. forces are conducting training exercises throughout eastern Europe. The Black Sea and the Mediterranean are filled with NATO warships. The United States has deployed the elite 101st Airborne Division to Romania close to the fighting in Ukraine. The port of Alexandroupolis in Greek Thrace has become a major supply and logistics military base dominated by the United States. The watershed third “Joint Declaration on EU-NATO Cooperation”, signed on January 10, 2023 realizes a longstanding goal of the United States in establishing a close linkage

between the two organizations, extinguishing the dream of an independent European “defence identity” or “strategic autonomy”.^{xxiv} Any doubts concerning U.S. leadership are dispelled by the fact that “Ukraine Contact Group” summits concerning provision of resources to Ukraine take place not at NATO headquarters in Brussels but at the U.S. Ramstein Air Force Base in Germany. Back in the 1990s, Bill Clinton had said: “Europe can have a separable but not separate defence identity from NATO”.^{xxv} It seems that today, Europe cannot even have a separable defence identity within NATO.

The war has caused massive casualties for both sides although the precise numbers are contested. Before it was retracted at the behest of the Ukrainian government, on November 30, 2022, EU Commission President Ursula Van der Leyen claimed that 20,000 civilians and 100,000 Ukrainian soldiers had been killed. General Mark Milley, Chairman of the U.S. Joint Chief of Staff, has estimated 100,000 killed and wounded on each side.^{xxvi} Some 7.8 million refugees have fled to European countries with an estimated 2 million more to Russia. A further exodus can be expected in response to Russia’s increasingly devastating attacks on Ukraine’s energy, water, and transportation infrastructure. Thus, war has accelerated Ukraine’s already precipitous demographic decline, from 54 million at independence (1991) to 37 million (in Government-controlled Ukraine) on the eve of invasion.^{xxvii} Large numbers of refugees will probably never return.

Russian missiles have transformed much of eastern Ukraine into an industrial wasteland and central and western Ukraine await a similar fate. This devastation has been inflicted on a society whose government is perhaps best described as a “neoliberal kleptocracy” and whose impoverishment and deindustrialization were not alleviated by the post-Maidan European partnership and IMF conditionalities.^{xxviii} Ukraine’s GDP in 2019 was lower than in

1989 and life expectancy for men was 67. Its GDP declined by 34.8% in the first three quarters of 2022.^{xxix} Since his election in 2019, Zelensky has carried out numerous neoliberal reforms, especially in the health and labor sectors. During the war itself further labor market reforms have been implemented, including the Labor Law approved in August, 2022, allowing for labor flexibilization, relaxed protections against dismissal, increase of the maximum working week to 60 hours, and zero-hours contracts. The International Trade Union Confederation has protested that “it is grotesque that Ukrainian workers, who defend the country and care for the injured, sick and displaced are now being attacked by their own parliament”.^{xxx} In January 2023, Zelensky carried out a purge of leading officials, including the defence minister, who was accused of massive corruption.

This shock therapeutic, war-torn landscape was already the subject of two reconstruction conferences, in Lugano (July 2022) and Berlin (November 2022), from which trade unions were excluded and at which further deregulatory policies were proposed.^{xxxi} War enriches not only armaments manufacturers, but also large construction and engineering companies. Reduced to NATO appendage, especially in security and defense matters, the EU nevertheless has a role to play and will do so on its own neoliberal terms. Although Brussels has received Ukraine’s expedited application for membership, changes in labor law, massive corruption and armed conflict, even if this turned out to be reduced to a low intensity conflict, almost certainly render “fast track” promises to accession empty rhetoric. EU and/or NATO membership for Ukraine cannot fully materialize as long as conflict or low intensity conflict persists in the future, unless the U.S opts to go for a full-fledged WWII. Moreover, Ukraine was ranked on a corruption scale by Transparency International 123 out of 180, and 61 (“partly free”) on Freedom House’s 2022 *Report on Democracy*. The neo-Nazi Azov Battalion

continues to play a central role in the Ukraine armed forces.^{xxxii} Four days before leaving the presidency in 2019, Petro Poroshenko implemented a highly discriminatory language law that limited the use of Russian and was opposed by President-Elect Volodymyr Zelensky. However, in January, 2022 Zelensky himself presided over further restrictions on the use of the Russian language.^{xxxiii}

Ukraine has little prospect of joining the EU for many years. Given the EU's own economic downturn and inability to use, at pan-European levels, Keynesian tools to reverse it, it is certain that the EU's participation in post-war Ukraine will be predicated on cheap labor, largely extractive based on Ukraine's rich mineral and agricultural resources, and bathed in corruption, as indeed it has been for decades. Ukraine has acquired massive debt obligations as a result of the war, already in May, 2022 reaching 70% of its GDP. IMF loans will impose further conditionalities, not least including speedy privatizations and opening up farm land to foreign ownership. Already in 2020 Zelensky had repealed the moratorium on land sales to foreigners, a longstanding goal of the IMF and World Bank as well as the U.S. State Department, despite massive popular opposition.^{xxxiv} The prediction that a national awakening under conditions of war will lead to post-war democracy must be treated with skepticism. As Volodymyr Ischenko has cautioned:

So far, Ukraine's 'decolonization' has not led to more robust state-interventionist economic policies but almost precisely the opposite. Paradoxically, despite the objective imperatives of the war, Ukraine is proceeding with privatizations, lowering taxes, scrapping protective labor legislation and favoring 'transparent' international corporations over 'corrupt' domestic firms. The plans for post-war reconstruction did not read like a program for building a stronger sovereign state but like a pitch to foreign investors for a start-up; or at least, that was the impression given by Ukrainian ministers at the Ukraine Recovery Conference in Lugano last summer.^{xxxv}

As we shall see below, the evisceration of national capitalist classes and, as a consequence, of

Keynesian policy-making tools, is not a Ukrainian phenomenon. Rather, it is one of the most essential parts of the U.S.-led globalization process dated decades back, although in practice it does not always work according to the strategic objectives of its architects. U.S.-led globalization serves, above all, the interests of the internationalized U.S. capitalist class, making it by definition a global nationalist strategy of the U.S. proper.

Protracted war and escalation

Enjoying NATO's robust if not unlimited backing, Zelensky has espoused war aims that make impossible any peace negotiation with the Kremlin. He has declared that "no negotiations can take place as long as Vladimir Putin remains in office" and that "Russia's aggression potential will be destroyed at the root when the Ukrainian flag is once again in its lawful spot: in the towns and villages of Crimea."^{xxxvi} Biden has publicly endorsed these demands while pledging repeatedly that the United States will support Ukraine for "as long as it takes" and that Kyiv will make all decisions on negotiations. Yet, in April 2022, then U.K.'s Prime Minister Boris Johnson, reportedly instructed Zelensky to abandon peace negotiations with Russia that were being brokered by Turkish mediators.^{xxxvii} By this time State Department's spokesman, Ned Price, had concluded that "this is a war that is in many ways bigger than Russia, it's bigger than Ukraine."^{xxxviii}

Nevertheless, divisions have appeared within the Biden Administration. Notwithstanding its own bellicose rhetoric, some officials recognize that Ukraine cannot realize Zelensky's maximalist aims and that Crimea, as well as the regions of Eastern Ukraine incorporated into the Russian Federation following a vote in the Duma, represent an indelible red line for Russia.

The Chairman of the Joint Chiefs of Staff, Mark Milley, has called for a diplomatic solution.^{xxxix} In early December 2022, Henry Kissinger called for “peace through negotiations,” starting with a ceasefire along the 24 February borders”, implying that Crimea “could be the subject of negotiations after the ceasefire”, and that “internationally supervised referendums concerning self-determination could be applied” in contested areas – a view also shared by some leftist intellectuals.^{xl} On 5 December 2022, Antony Blinken appeared to be uncommitted about the return of Crimea to Ukraine: “Our focus is on continuing to do what we’ve been doing, which is to make sure that Ukraine has in its hands what it needs to defend itself, what it needs to push back against the Russian aggression (...), to take back territory that’s been seized from it since February 24”.^{xli}

Notwithstanding their fears of escalation, Biden administration officials appear committed to a protracted war, albeit not fully committed to Kyiv’s escalatory demands. Indeed, there is little doubt that the Biden administration’s approach to the conflict remains, in Defence Secretary Lloyd Austin’s words, to “weaken Russia,” or as Kissinger has concluded, “Russia rendered impotent by war”.^{xlii} Zelensky’s depictions before a joint session of Congress of “Russians as inhumane” and Russia as a “terrorist state” were received ecstatically by Biden and the U.S. media. These characterizations – at the point of saturation within the Russophobic American media ecosystem – are designed to undercut opposition to further economic military support for Kyiv. Attempts to change course could trigger enormous – perhaps insurmountable – domestic political crises in both Washington and Kyiv. A comprehensive assault on Crimea – more likely in the context of heavy tank and long-range missile deliveries – would represent a massive and dangerous escalation, greatly increasing the prospect of nuclear war.^{xliii} It would almost certainly unleash intense partisan warfare and ethnic cleansing in Crimea, whose

Russian majority population is strongly loyal to the Russian Federation.^{xliv} Yet, strategic battlefield losses for Kyiv in the context of U.S. proxy war fever and electoral considerations could push the Biden administration recklessly to cross Russia's red lines. At the same time, any attempt by Zelensky to abandon of maximalist war aims is likely to provoke violent opposition from Ukrainian nationalists and neo-Nazis.

Re-globalisation and the economic plight of Europe

While the nations of the global south have experienced the most protracted and deadly impact of war, the consequences for Europe have been far more severe than for the United States or China. U.S. oil and gas companies have benefited substantially from the sanctions on Russian energy. The war has thus deepened Europe's economic and geopolitical dependence on the United States, exacerbated intra-EU divisions, most notably between France and Germany but also between eastern and western Europe. In addition, protectionist measures taken by the U.S in combination with the regime of sanctions on Russia, have created havoc in key European industries and global supply chains, pushing for a re-routing of globalization along the lines of an incipient U.S.-China economic-technological bi-polarity.

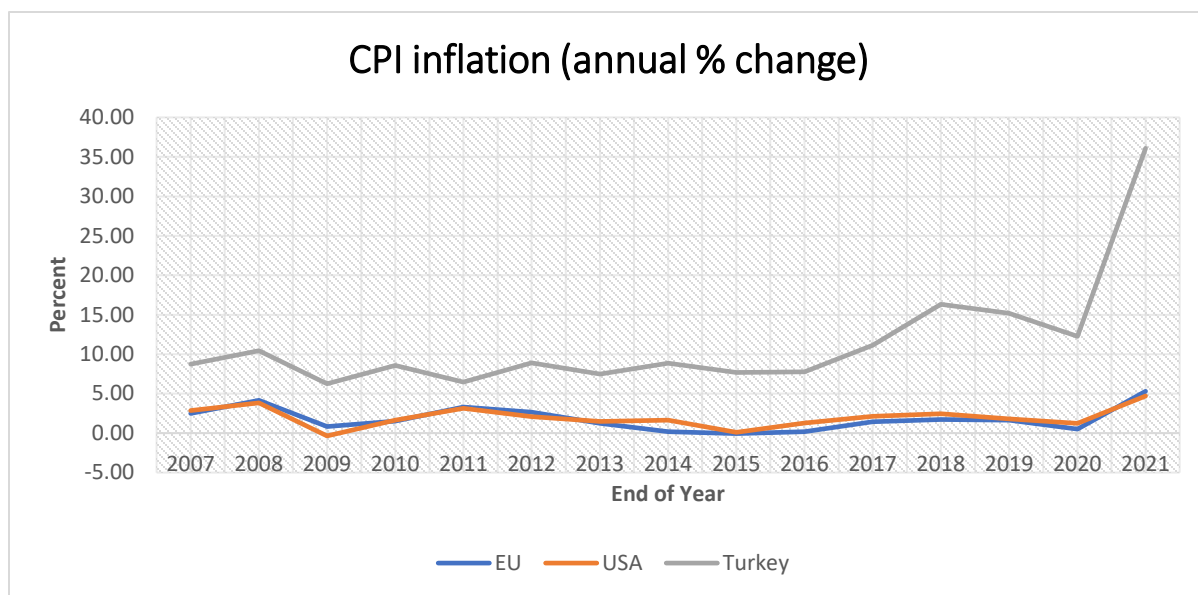
First two challenges to Europe: the real energy crisis and the issue of inflation

Reacting to U.S. policy and in the midst of an international legal regime of sanctions against Russia, Europe is trying to re-route its oil and gas supply network. The new policy framework imposed on the EU dictates that hydrocarbons should be delivered to the EU not via oil and gas pipelines connected to Russia and Russian state companies, but via specially built tankers and new port terminals that have to be constructed in order to receive U.S. liquefied natural gas (LNG) and other products.^{xlv} During this transition period and after

prolonged elite discussions (and disagreements) among western executives, the EU, the G-7 and Australia decided to cap the purchases of Russian seaborne oil to \$60 per barrel. The ostensible aim was to curtail Russia's ability to finance its conflict in Ukraine inasmuch as more than 45% of Russia's state revenue comes from the sale of hydrocarbons. Sceptics, however, pointed out that this reduction is not good enough, especially since the Brent price of crude (January 2023) is at just over \$76 per barrel, below the price recorded in January 2022, that is before the start of the war – which provides an indication that the war in Ukraine is not exactly responsible for Europe's spike in inflation. Ukraine itself – not to mention Poland – argues that the West should stop purchasing hydrocarbons from Russia altogether, further privileging the sale of expensive American LNG to Europe. But this discussion is false. American LNG is not enough to fuel Europe's economic and social infrastructure and LNG imports require construction of special tankers and terminals, which Europe has just started building.^{xlvi} In the meantime, Russia has already begun diversifying its crude oil and gas exports to Asian markets, especially China and India, making new agreements and building new pipelines, although Russia is forced to sell to Asian powers below market price reducing the revenues accrued. But there is also another aspect which concerns particularly the contractual situation between Russian export consortia and western states, namely that more than 77% of total Russian gas exports are tied to contracts that stipulate that importers would continue to pay up to 85% of the contracted price of the gas even if they don't receive any gas. These are long-term contracts that work in favour of Russia and European importers can do nothing about them.^{xlvii} Germany, whose dependence on Russian gas stands at 41% of her needs, has to swallow a very bitter pill by accepting the closure of Nord Stream pipelines on the altar of US policy cutting off any geo-strategic link upon Russia.

European inflation is not directly connected to the above process. It is only U.S. import costs that could arguably contribute to European inflation but this is very difficult to measure empirically. Technically, inflationary trends in both the U.S and Europe were triggered by the pandemic (graph 1) and have soared to multi-decade highs, dramatically raising production costs, spurring interest rate increases throughout Europe while decreasing purchasing power at a time when total debt as a share of GDP across the G-7 economies exceeds 420%.

Graph 1



Source: Own elaboration of data from IMF, 2022.

Forced to raise interest rates, central banks, including the ECB, are unable to reprise quantitative easing strategies as they did in 2008-9 in the wake of the collapse of the Lehman Brothers and again in 2020-1 in response to the Covid-19 pandemic. But if the pandemic triggered the inflationary trend, the structural causes of it are more deeply rooted in the regime

of financialized globalization and the erosion of the productive material base of western economies. For decades now, western economies have recorded low rate of investment, especially public investment, low labour productivity and low real wage growth. The aggregate supply could not support a sustainable rate of growth generating high rates of profit for the enterprises – whereby rate of profit we mean the percentage increase on capital invested. The way out for businesses was to push for inflation in order to compensate the tendency of the rate of profit to fall in conditions of low labour productivity and the increasing domination of a financialized service economy.^{xlvi} Thus, in aggregate, real wage growth in the West – with the partial exception of the U.S. – fell behind the rate of inflation (table 1). This, however, is not the case with most of the economies in the Asian-Pacific region (table 2), which is another angle from which one can see the relative economic rise of Asia compared to Europe as a whole. As we shall see below, the worries of the U.S. lie precisely in the technological advantage China may acquire in the following years.^{xli}

Table 1: Wage growth (minus bonuses) and inflation in western countries (Dec 2021–Dec 2022)

	Wage growth	Inflation
USA	6.17%	6.5%
Germany	2.7%	9.6%
Japan	0.5%	3.8%
France	0.9%	6.8%
UK	6.17%	10.5%
EU average	5.2%	11.1%

Source: Own elaboration of data from Eurostat and ILO, 2023

Table 2: Real wage growth in selected Asian-Pacific countries (adjusted to inflation)

	2023 (forecast) real wage growth (%)	2022 real wage growth (%)
India	4.6%	2.1%
China	3.8%	3.7%
Thailand	2.2%	-1.8%
Malaysia	2.2%	1.6%
Philippines	1.6%	0.2%
Hong Kong	1.6%	0.2%
Cambodia	2.2%	0.4%

Source: Own elaboration of data from tradingeconomics.com, IMF and World Bank, 2023

Third challenge: protectionism in the USA

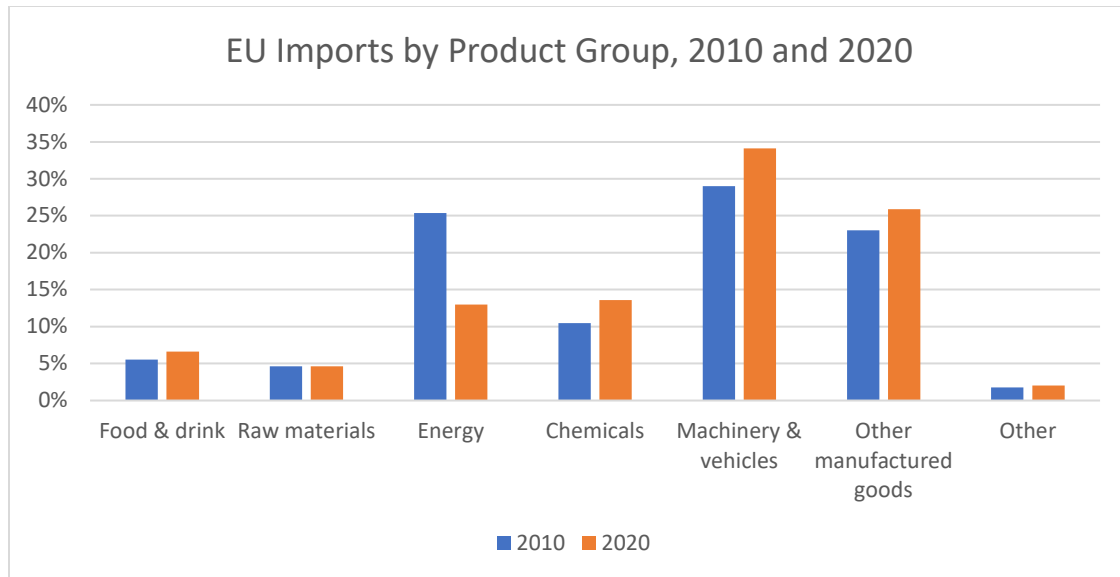
If the re-routing of European energy supplies and the headache of inflation are major challenges to the EU's economic and geopolitical security, the U.S. strategy of technological containment of China represents yet another significant challenge to European industry, and especially to Germany. Starting with the Trump administration, the United States deployed the threat of extraterritorial sanctions in a range of European industries, blocking attempts to develop alternative sources of oil and natural gas in Iran and cooperation with Huawei in the development of 5G networks. Many of these actions directly benefited U.S. corporations and provoked widespread resentment in Europe.¹ As well as blocking Chinese acquisition of assets, something that has been taking place for some time now in Europe and Australia,^{li} more recently steps have been taken to impede European cooperation with Chinese semi-conductor companies, such as the introduction of Chips and Science Act (CSA) providing over \$280bn for the protection of U.S. digital and semi-conductor industry. Thus, Washington seeks through a combination of sanctions and subsidies partially to “de-couple” its own and allies’ semi-conductor companies from China, further polarizing and politicizing the global economic environment. For example, citing increased costs and insufficient subsidies, Intel has abandoned plans for a huge chip manufacturing plant in Germany. The same policy applies to trade, although now EU officials, such as European Commission president, Ursula von der Leyden, call it “de-risk” rather than “de-couple” from China.^{lii} Further, the war in Ukraine disrupts trade by freight, which is an important part of China’s Belt and Road global infrastructure development strategy.^{liii}

The Biden administration's recently passed Inflation Reduction Act (IRA) including \$369 billion in subsidies to American energy, manufacturing, and transport represents a further significant protectionist initiative. Clearly violating WTO rules, the IRA seeks to decrease greenhouse gas emissions by providing tax cuts and subsidies for electric cars and wind farms. Clean energy and the semi-conductor industry is where effectively the subsidies go, not least by way of indirect subsidies for manufacturers in the form of tax credits: those who "buy American" receive hefty tax credits, thus boosting production and consumption. Thus, the sourcing requirements are effectively protectionist and incentivize European and even Asian firms to shift operations and factories to the United States. The combination of U.S. subsidies, inflation, and the costs involved in the re-routing of energy supplies threatens the competitiveness of European corporations and risks mass de-industrialization in Europe while re-industrializing the USA. *The Economist* believes that this policy of the U.S. may spill into a real trade war.^{liv}

On one hand, the United States generates policies that protect American companies while trying to attract high tech investment in the U.S. proper. On the other hand, the regime of sanctions against Russia, combined with US protectionism and the securitization of the whole of Europe, pushes Europe's enterprises into Asia/China or the U.S. proper. The trend is towards "re-globalisation" rather than "de-globalisation", as Asian infrastructures and production networks will be used as new launching pads toward global expansion with the United States also becoming a more attractive investment opportunity.^{lv} In this context, global supply chains and production networks are re-structured and industrial relations regimes are reformed under different jurisdictions and normative regional frameworks.

Many European companies and logistics agencies, including oil and gas traders and logistics operators, fertilizers, chemicals and, importantly, rare earth elements (REEs)

operators, lithium battery factories, and high-tech companies are contemplating exit. Russia and China are major world exporters of REEs upon which high tech and micro-chips industry, including electric car industry, depends. Europe's car industry and, especially, electric car industry, is antiquated if compared to China's or the U.S.'s. Given the dependence of European economies upon imported manufacturing and complex supply chain networks (graph 2), the mayhem inflicted on them due to sanctions, on the one hand, and U.S. subsidies, on the other, is likely to have lasting consequences. Re-globalisation means a new wave of relocation of key industries and services from Europe to the United States and Asia that intend to pursue globalization and global production networks having either China or the U.S as an operational base. This, undoubtedly, would strengthen both the U.S.'s and China's stakes in capitalist globalization, whereas the EU confronts permanent austerity under conditions of continuous de-industrialisation.

Graph 2

Source: Own elaboration of data from Eurostat, 2022.

To be sure, maintaining wage restraint, cutting pensions and privatizing welfare state institutions remain a common interest of the transatlantic ruling bloc. Keeping the rate of interest below the rate of inflation and the rate of inflation above real wage growth means that real interest rates, despite their rise, are still negative while hoping to increase the rate of return (profitability of enterprises). But profitability cannot increase as long as labour productivity and investments are low, the result being downward pressure on wages and erosion of people's savings. However, as we have seen, permanent austerity regimes and the breakdown of welfare institutions cannot deter the migration of European business and logistics operators to Asia, especially China, or the U.S. A dangerous aspect of these trends for world peace is the conflict between a globalizing Asia under Chinese primacy and a securitized, protectionist transatlantic bloc that aims at the subordination of its economic rivals via coercive, military means. From this perspective, it is worth remembering that it was not Nazi Germany that closed itself off

from the outside world, but the liberal and “open door” United States, especially with the introduction of Smoot-Hawley tariff law promulgated in 1930. By raising tariffs, the U.S. effectively blocked European exports to American markets, making the repayment of European war debts untenable, further accentuating the contradictions of the Versailles settlements leading rather mathematically to WWII.

The collapse of ordoliberalism and the humiliation of Germany

By calling into question its distinctive export-led, neo-mercantilist developmental model, the combined impact of the IRA and CSA, the loss of Russia’s cheap energy supplies, and the imposition of business restrictions with China represents an acknowledged major turning point for the Federal Republic. The so-called “German model”, which allowed the country to reconfigure the European economy via the Treaties, was predicated on a supply-side constitution separating strictly political struggles and central banking, and leaving intact the anti-inflationary principle. Austro-German *ordoliberalism* was premised on an a-political and strictly disciplinary regulation of markets and social relations – what Michel Foucault called *biopolitics*.^{lvi} Recent aspects of this model – which can be traced back to the 1950s negotiations for the Treaty of Rome through to the Maastricht Treaty and the Stability and Growth Pact – include a succession of disciplinary labour policies embodied in Agenda 2010 but also on restructuring of German business through a strategy of selective outsourcing and export mercantilism, underwritten by a devalued (for Germany) euro that has for years enabled substantial trade surpluses with the United States and the periphery of the EU. In 2017, for example, Germany’s trade surplus was 234 bn Euros (compared to China’s 390 bn Euros and Japan’s 140 bn).

Whereas U.S., U.K., and French manufacturing sectors fell below 10% of GDP the German

manufacturing sector surpassed 20%, a factor limiting the extent of Germany's domestic austerity and accounting for Germany's relative political stability and only modest flirtations with extreme right-wing movements. Crucial stages of German manufacturing and commodity supply chains – primarily geared to the assembly stage – were relocated throughout central and Eastern Europe, thereby enabling Germany's neo-mercantilist model to increase its international competitiveness inside and outside the EU.^{lvii} The asymmetries of the EMU and these supply chains illustrate an “astonishing continuity in the basic structure of German capitalism”,^{lviii} enabling it to generate permanent surpluses at the expense of an increasingly indebted periphery, especially EU/Euro-zone periphery. They indicated the vast scope of German leadership over the European economy. In 2021 exports accounted for 39% of Germany's GDP. Germany accounts for approximately 25% of EU exports and 30% of European GDP. However, if the supply chains are taken into account, the figures are considerably higher. Yet, trade surpluses served to export ordoliberal deflation, producing debt and unemployment in Europe's periphery but also the United States, sparking resentment and serving as the key rationale for Trump's tariffs on Europe, which Biden has maintained. In 2016 the U.S. Treasury added Germany to a list of countries engaging in “unfair currency practices,” even though, technically, Germany does not have its own currency.^{lix} The bases of the German model thus indicate, perhaps more ominously, longer term vulnerability, now thrown into sharp relief by the energy crisis, U.S. protectionism, and attempts to compel German industry and trade to “de-couple” from China. Further, the interest rates hikes are not conducive to trade, because they increase the cost of import-export creating hard currencies – let alone the borrowing requirement and debt of the global periphery – for all parties concerned.

German primacy in the EU was reinforced not only by its control of the ECB but also by

its position as the central hub linking Russian natural gas to Europe, a position it had maintained despite resistance from many EU member states, the Commission, and furious opposition from U.S. LNG companies and the Pentagon. But the pandemic turned the ordoliberal discipline of the Stability & Growth Pact into a broken reed. Under intense international and competitive pressure, the anti-inflation criterion of the central banking mechanism no longer holds: inflation spreads regardless of EU and German public “ordoliberal” policy. German industry faces massive new costs and Berlin faces massive new claims on its budget. For Germany, energy accounts for 26% of metallurgy industry costs; 19% of basic chemical production; 18% of glass manufacture; 17% paper; and 15% of construction materials.^{lx} At the same time, the EU delivered 750bn Euros through its NGEU programme, partly in the form of aid partly in loans, to its member states to assist them to deal with the impact of the pandemic. The EMU’s ordoliberal “stability” and discipline are dead. Had the Greek debt crisis broken out today, it is doubtful that Wolfgang Schäuble would have got his way.

With invasion looming, the German leadership initially sought to maintain its longstanding linkages to Russia, symbolically and materially represented by the Nord Stream 1 and 2 pipelines. President Steinmeier and Chancellor Scholz sent just 5,000 helmets to Kiev and refused to allow the Baltic states to provide Soviet-era artillery that had been manufactured in the GDR. After the invasion, Ukraine declared Steinmeier *persona non grata* and refused to allow him to visit Kyiv while Ukraine’s ambassador to Germany, Andriy Melnyk, publicly praised nazi collaborator Stepan Bandera and called Scholz an “offended liver sausage”.^{lxi} During his visit

to Washington on February 7, 2022, Scholz continued to equivocate following Biden's warning that the United States would "bring an end" to Nord Stream 2 if Russia invades and that "I promise you we will be able to do it".^{lxii}

Pushed by Washington and hawkish Green Party and FDP coalition members, the German political leadership capitulated – apparently unconditionally. Scholz and Steinmeier abjectly proclaimed their fealty to Washington.^{lxiii} Facing a chorus of criticism Angela Merkel confessed that she was in fact never committed to Minsk II and supported it only to buy time for Ukrainian re-armament.^{lxiv} Scholz announced an immediate increase of 100 bn euros for the German military budget. German air force chief, Ingo Gerhartz, declared that "for credible deterrence, we need both the means and the political will to implement nuclear deterrence if necessary".^{lxv} The dramatic political and ideological transformation was expressed most clearly within the German media which, downplayed the economic costs for Germany and, with the exception of *Spiegel*, "served as cheerleaders for re-armament and war".^{lxvi}

Responsibility for the sabotage of the Nord Stream pipelines has not been officially determined or publicly disclosed and U.S. intelligence officials have reportedly now acknowledged the lack of evidence in initial reports that blamed Russia.^{lxvii} There can be no doubt that the destruction represents not simply a severance of German-Russian energy ties but a fundamental and likely permanent transformation of U.S.-German and transatlantic power relations. Ironically, throughout the war Russia has continued to export natural gas through Ukraine according to an agreement reached in 2019 that provides Kyiv with \$7b in revenue through 2024.

What the *Financial Times* has described as "the investment exodus across the Atlantic, driven by U.S. incentives and cheaper gas prices",^{lxviii} is exemplified by the actions of BASF, the largest integrated chemical complex in the world. BASF's Ludwigshafen site has been

severely downsized and the company is now building a \$10bn plant in China, representing the largest investment in its history. Faced with 2.2bn euros greater energy costs in the first 9 months of 2022 than in 2021 its chief executive announced that it will downsize in Europe “as quickly as possible and also permanently”.^{lxi} Indeed, BASF has become increasingly intertwined with China, which accounts for 12 bn euros of annual revenues. However, Germany is facing increasing pressure from the United States to “de-couple” from China under the threat of extraterritorial sanctions. In October 2022, Berlin succumbed to U.S. pressure not to allow China’s Cosco to purchase a majority stake in the Port of Hamburg. Scholz’s visit to Beijing in November 2022 with numerous CEOs triggered deep divisions within Germany and Europe, and criticism from the United States and the NATO. Germany’s agreement to provide Ukraine with Leopard tanks indicates that Germany acts as a vassal state of the U.S. in all matters, from economics, to security, political strategy and defence.

Following his visit to Washington at the end of November, Emmanuel Macron not only called for a negotiated peace in Ukraine but also publicly attacked the IRA, warning that by excluding European products from U.S. markets it could “fragment the West”.^{lxx} German officials and industrialists have been even more blunt, openly accusing U.S. firms of profiting from the war. German industrialists have condemned government plans to “de-couple” from the Chinese market at Washington’s behest. Noting the “flight of capital and production facilities out of Europe and into the dollar,” Siemens CEO Joe Kaeser has asserted that now “Europe is in systematic competition not only with China but also to some extent with America”.^{lxxi} (German-Foreign-Policy.com, 2022). As a result of sanctions, German automobile companies have been driven out of Russia, the world’s 12th largest consumer market, whereas Chinese auto companies are purchasing their European plants at knock-down prices.^{lxxii} Bundestag

Vice President, Wolfgang Kubicki, has protested that Germany has become a “bankrupt state (...) on the way to becoming a dysfunctional state, infrastructure, governing, energy prices, and the inability of the Bundeswehr to defend its country”.^{lxxiii}

Thus, European industrialists have warned that the United States enjoys a number of advantages within the coming protectionist environment, including not only cheap energy but also technological leadership and the global reserve currency – the dollar. A concerted European response to U.S. mercantilist policies would engender massive conflicts and potentially endanger the single market. The European Commission has appealed – so far unsuccessfully – to the Biden administration to incorporate Europe within its regime of subsidies. The Commission is also seeking to develop its own riposte to the IRA. However, the EU is deeply divided. Germany, Sweden, and Denmark have opposed Commission proposals for a “Sovereignty Fund” that would provide common European funding in response to the IRA and other American protectionist policies. Germany, instead, has allocated 200 bn euros in subsidies to its own industries alongside a 15 bn euro payout to its energy companies, challenging basic precepts of the Single Market and ordoliberal Treaties and antagonizing France and most other EU member states. German rearmament is taking place in conjunction with the U.S. military-industrial complex, as illustrated by its decision to purchase Lockheed Martin F-35 fighter jets that are capable of carrying U.S. nuclear warheads, and thereby jeopardizing the development of Franco-German cooperation on a joint fighter jet and, more generally, the establishment of an autonomous European military industrial complex. In the end, both France and Germany are riding America’s military-security bandwagon, having jointly reneged on previous commitments towards the Minsk agreements and increasingly adopting its security strategy for Eurasia.^{lxxiv} The re-routing of globalisation is taking shape via the consolidation of the U.S.

primacy in Europe and in an increasingly polarized environment between the United States and China. Ukraine has pushed all of these sub-terranean tendencies to the surface of global politics and economics.

Concluding remarks

The war began with Russia's illegal invasion of Ukraine, and evolved into a proxy war between NATO and Russia. Western sanctions on Russia and U.S. protectionist policy have disrupted global supply chains, squeezed European industry and are pushing European enterprises to re-route their operations in order to contain their diminishing returns in inflationary conditions. Whereas in the Asian-Pacific region inflation is contained and wage growth stands above inflationary trends, the opposite is the case throughout the NATO alliance, with the partial and notable exception of the U.S. In every single matter – energy, defence, security, high politics – there is no doubt that the big loser of the Ukraine war is Europe and, more pertinently, Germany, whose dependence on cheap Russian gas stands at 41%. It is possible that sufficient sources of natural gas other than – or in addition to – U.S. LNG, will be found, but this could take many years (the best example here is the newly spotted hydrocarbons in the Eastern Mediterranean around Cyprus and Crete, something which increases the tension between Greece and Turkey). As the crisis intensifies, European – and especially German – business leaders may press for a resumption of energy relations with Russia. However, even if Germany (and Russia) wished to restore the energy relationship, following its decades-long crusade against the pipeline and congenital suspicion of *Ostpolitik*, Washington would not easily relinquish its geopolitical and commercial spoils from what is also amounts to an “economic proxy war” against Germany. After all, the LNG terminals, a complex engineering and port

operation specifically designed to facilitate the import of U.S. LNG, has started and will be completed in 2-3 years from the time of writing.

The benefits accruing to U.S. corporations and the American state from the war in Ukraine might be understood simply in terms of unintended consequences or collateral damage arising from the sanctions against Russia. No doubt there are elements of both. Yet, U.S. politicians and LNG companies have been seeking to eliminate German-Russian oil and gas pipelines for many decades and sanctions are only one aspect of Washington's broader neo-mercantilist revisionism. Not only the geopolitical but also the commercial benefits resulting from sanctions have been deeply resented by European corporations for many years. The IRA and CSA Acts tend to create a new protectionist global environment pushing European companies hit by all sides to exit the continent. What is gradually taking shape is a new environment, possibly transitory, in which globalization will increasingly be appearing as stemming from Asia and de-globalisation arising from the United States. Nothing is being settled yet, but Ukraine has opened the Pandora's box.

German industrial capital, the most important driver behind the European project since the 1950s, recognizes the negative implications of the war in Ukraine but has not enough power to fight back on equal footing. The years of record-breaking trade surpluses and their re-cycling benefiting Germany's current account seem to have ended. At the present time, however, with few exceptions,^{lxxv} the German political class has apparently succumbed to the combination of pressure from Washington and its own war fever. And so did the French. Subordination within the Atlantic order has, moreover, very little to do with ideology. Europe as a whole – and German capital in particular – remains overwhelmingly dependent on the U.S. market and the

dollar. German exports to China exceed slightly those to the United States, but its overall investment portfolio in the United States is qualitatively greater than in China and far more important for the German economy and German capital.^{lxxvi} The collapse of the old order could open up new horizons for German capital, based on potential U.S.-led eastward expansion into whatever remains in Ukraine and beyond, with Berlin serving as sub-imperial regional hegemon within the American constellation.

At the present time, the war in Ukraine has profoundly deepened Europe's dependence upon the more predatory and coercive American hegemon which is no longer willing to underwrite European economic prosperity given its own broader vulnerabilities in the Middle East and Asia, not to mention its domestic instability and loss of manufacturing power. The processes and tendencies we have described have enabled the re-assertion and extension of U.S. power. However, they may also be planting the seeds of growing instability within the transatlantic space and beyond, encouraging China's rise and paving the way for U.S.-China confrontation.

ⁱ These views are also embraced by radical-socialist intellectuals; see, for instance, Gilbert Achcar, "Ukraine: which peace are we talking about?", *New Politics*, 10 December 2022, <https://newpol.org/ukraine-which-peace-are-we-talking-about-an-interview-with-gilbert-achcar/> (accessed: 29 January 2023). Achcar and many others equate Russian and US-NATO imperialisms, slipping even into supporting the "delivery of defensive weapons to Ukraine".

ⁱⁱ Some also noticed the difficulty of integrating Russian tycoons into western capitalist structures; see, for instance, Volodymyr Ischenko, "Behind Russia's war is 30 years of post-Soviet class conflict", *Jacobin*, 3 October 2022. David Kotz cites the causal significance of the "full emergence of post-Soviet Russia as a powerful autocratic capitalist state with an oligarchic capitalist class" with nationalist ideology representing a "subsidiary factor"; see his "Imperialism and the Ukraine war", conference paper, Union for Radical Political Economics, Allied Social Sciences Convention, Atlanta, 6-8 January 2023.

ⁱⁱⁱ This insight goes back to revisionist north American historians, such as Gabriel Kolko and Walter LaFeber, a line of argument adopted by neo-Marxist IR scholars, such as Peter Gowan (see, for instance, his *Global Gamble*, Verso, London 1999). For a recent account, see Alan Cafruny et al., "Ukraine, multipolarity and the crisis of grand strategies", *Journal of Balkan and Near Eastern Studies*, v.25, n.1, January 2023.

^{iv} For penetrating statements on this subject, see the work of the late Peter Gowan, *Global Gamble*, op.cit., as well as his contributions to *Labour Focus on Eastern Europe* and *New Left Review*.

^v Scores of leading officials and high-level diplomats delivered these persistent warnings, including most notably George Kennan, the architect of the U.S. containment strategy. He declared prophetically in 1998 that it would be "the most fateful error of American policy in the post-Cold War era" and "the beginning of a new cold war (...). I think the Russians will gradually react quite adversely and it will affect their policies. I think it is a tragic mistake. There was no reason for this whatsoever. No one was threatening anybody else. This expansion would

make the Founding Fathers of this country turn over in their graves (...). Of course, there is going to be a bad reaction from Russia, and then [the NATO expanders] will say that we always told you that is how the Russians are – but this is just wrong”; see, Thomas L. Friedman, “Foreign affairs; now a word from X”, *New York Times*, 2 May 1998; For comprehensive accounts, see, *inter alia*, Mary Elise Sarotte, *Not One Inch. America, Russia and the Making of Post-Cold War Stalemate*, Yale University Press, Yale 2021, Jordan Michael Smith, “The NATO critics who predicted Russia’s belligerence”, *The New Republic*, 3 March 2022.

^{vi} Notwithstanding the real history of U.S. and NATO expansion – at best mixed in its regional and global impact – western conceptions reflect a reflexive ontology of liberal hegemony, according to which “NATO can do no wrong.” As Andrej Krickovic and Richard Sakwa characterize this viewpoint, “[NATO] enlargement to include as many states as possible in the democratic community is actually beneficial to the states that remain outside”. Or as former NATO Secretary General Anders Fogh Rasmussen put it, “thanks to the EU and NATO the stability on its western borders that Russia has sought for centuries has now been achieved. Russia should be celebrating”; see, Richard Sakwa and A. Krickovic, “War in Ukraine: the clash of norms and ontologies”, *Journal of Military and Strategic Studies*, v.22, n.2, 2023.

^{vii} Western media universally and categorically depict Georgia’s attacks on Russian forces as an unprovoked “Russian invasion.” Yet, Russia’s invasion of Georgia was reactive, if not defensive. Indeed, the European Commission concluded on the basis of an independent study that “(...) it was Georgia that triggered the war when it attacked Tskhinvali (in South Ossetia) with heavy artillery (...) none of the explanations given by the Georgian authorities to provide some form of legal justification for the attack lend it a valid explanation.” Heritage (2009).

^{viii} For an authoritative account of Ukraine’s complex ethnic tensions see, among others, Richard Sakwa, *Frontline Ukraine: Crisis in the Borderlands*, I.B. Tauris, London 2016.

^{ix} For a comprehensive account of these events see Geoffrey Roberts (2022)

^x OSCE, “Daily and spots report from the special monitoring mission to Ukraine”, 7 March 2022.

^{xi} See, Tunku Varadarajan, “The two blunders that caused the Ukraine war”, *Wall Street Journal*, 4 March 2022.

^{xii} Centre for Countering Disinformation, National Security and Defence Council of Ukraine, 14 July 2022.

^{xiii} See, Nathan J. Robinson, “Is the U.S. actually trying to help Ukraine?” *Current Affairs*, 9 May 2022.

^{xiv} “Why Russia sanctions won’t stop Putin”, *New York Times*, 6 April 2022.

^{xv} Anthony Cordesman, “U.S. aid to Ukraine: an investment whose benefits greatly exceed the costs”, Centre for Strategic and International Studies, 22 November 2022.

^{xvi} Hal Brands, “Russia is right: the United States is waging a proxy war in Ukraine”, *Washington Post*, 10 May 2022.

^{xvii} See the special issue of the *Journal of Balkan and Near Eastern Studies* on “Asian powers in the Eastern Mediterranean”, guest-edited by Defne Gönenç, Emre Işeri and Qingan Huang, v.25, n.1, 2023. See especially the contributions by Pavel Shlykov and Ekaterina Koldunova, “Russia and China in the Eastern Mediterranean: on parallel tracks?”, pp.48-64.

^{xviii} See, Mary Ilyushina, “Putin declares ‘war’ – aloud – forsaking his special euphemistic operation”, *Washington Post*, 22 December 2022.

^{xix} Former Israeli PM, Naftali Bennet, said that at least 17 drafts of the agreement between Russia and Ukraine were prepared by the parties before the West interrupted their negotiations. Turkey’s foreign minister, Melvut Cavusoglu, also confirms that it was the West and, essentially, the U.S., who wanted no peace agreement between Russia and Ukraine hoping to the weakening of the Russian regime via war; see especially, Caitlin Johnstone, “More evidence that the West sabotaged peace in Ukraine”, *Caitlin’s Newsletter*, 6 February 2023.

^{xx} See, John O’Loughlin and Gerard Toal, “The Crimea conundrum: legitimacy and public opinion after annexation”, *Eurasian Geography and Economics*, v.60, n.1, 2019; Farida Rustamova and Maxim Tovkaylo, “What secret Russian state polling tells us about support for the war”, *The Moscow Times*, 9 December 2022.

^{xxi} See, Mark F. Cancian, “Aid to Ukraine explained in six charts”, Centre for Strategic and International Studies, 18 November 2022.

^{xxii} See, Alex Orlov, “What Russia’s defence budget means for the Ukraine conflict”, *Shephard Media*, 16 December 2022. Russia has significantly increased her defence budget and it seems that the Kremlin is pursuing a form of “military Keynesianism” in order to redistribute wealth and boost its legitimacy; see Volodymyr Ishchenko, “Russia’s military Keynesianism”, *Al-Jazeera*, 22 October 2022. NATO economies, however, are not far-off the mark, especially as European governments are under pressure to increase their defence budgets well above the 2% threshold and all this amidst what it seems to be a prolonged recession.

^{xxiii} During 2022 the Standard and Poor 500 index declined by 20% but military contractors registered large gains: Maxar 71%; Northrum Grumman 42%, Raytheon 16%, General Dynamics 20%, Lockheed Martin 23%. Led by

- Rheinmetall, the stocks of European military contractors increased by between 75% and 130% in 2022. See, Robbie Gramer, “The arsenal of democracy is back in business”, *Foreign Policy*, 2 January 2023.
- ^{xxiv} See, European Council, “Joint declaration on EU-NATO cooperation, 10 January 2023.
- ^{xxv} For further analysis on this point in the context of NATO’s war against Serbia in 1999, see Vassilis K. Fouskas, *Zones of Conflict. US Foreign Policy in the Balkans and the Greater Middle East*, Pluto press, London 2003.
- ^{xxvi} EurActive, “EU Commission chief in hot water over Ukraine war loss estimates”, 1 December 2022.
- ^{xxvii} “The war has worsened Ukraine’s demographic woes”, *The Economist*, 12-19 December 2022.
- ^{xxviii} For a good account, see Yuliya Yurchenko, *Ukraine and the Empire of Capital. From Marketisation to Armed Conflict*, Pluto press, London 2018.
- ^{xxix} Aaron O’Neil, “Gross domestic product growth rate in Ukraine 2022”, *Statista*, 2 December 2022.
- ^{xxx} Anna Jikhareva and Kaspar Surber, “Ukraine shouldn’t become a neoliberal laboratory”, *Jacobin*, 17 September 2022. See also, Branko Marcetic, “Ukraine’s Post-war Reconstruction Has Big Business Licking its Lips,” *Jacobin*, 29 January 2023.
- ^{xxxi} ODR Team, “Ukraine’s anti-worker law comes into effect”, *open Democracy*, 25 August 2022. The third “recovery” conference is scheduled to take place in London in June 2023.
- ^{xxxii} Among others, Nicolai N. Petro, *The Tragedy of Ukraine. What Classical Greek Tragedy Can Teach Us About Conflict Resolution*, De Gruyter, Berlin 2023. See also, Branko Marcetic, “Whitewashing Nazis Doesn’t Help Ukraine,” *Jacobin*, 7 April 2022.
- ^{xxxiii} Rachel Denber, “New language requirement raises concerns in Ukraine”, Human Rights Watch Dispatches, 19 January 2022.
- ^{xxxiv} Mike Roberts, “Ukraine: the invasion of capital”, www.thenextrecession.wordpress.com, 13 August 2022.
- ^{xxxv} Volodymyr Ischenko, “Ukrainian voices?”, *New Left Review*, 138, November-December 2022. *For a more optimistic account see Boris Kagarlitsky, “The Arestovych Case and the Question of Power,” Russian Dissent, 27 January 2023.*
- ^{xxxvi} President of Ukraine Official Website, <https://www.president.gov.ua/en/?ifs=1> (accessed on 31 January 2023).
- ^{xxxvii} Roman Romaniuk, “From Zelensky’s ‘surrender’ to Putin’s surrender”, *Ukrainska Pravda*, 5 May 2022.
- ^{xxxviii} Department Press Briefing, 21 March 2022, <https://www.state.gov/briefings/departments-press-briefing-march-21-2022/> (accessed on 31 January 2023).
- ^{xxxix} Peter Baker, “Top U.S general urges diplomacy in Ukraine while Biden advisers resist”, *New York Times*, 10 November 2022.
- ^{xl} See, for instance, the aforementioned intervention by Gilbert Achcar in *New Politics* (note 1). Boris Johnson, who recently had a plaque unveiled in his name on the “Alley of Courage” in Kyiv, recently concluded that “Russian forces must be pushed back to the *de facto* boundary of Feb. 24”. This, nevertheless, does not specify their withdrawal from Crimea, thus apparently challenging a core demand of Zelensky and paving the way for a necessary but by no means sufficient basis for peace negotiations.
- ^{xli} Secretary of State Anthony Blinken, Press Briefing, U.S. Department of State, 5 December 2022.
- ^{xlii} Henry Kissinger, “How to avoid another world war”, *The Spectator*, 17 December 2022.
- ^{xliii} Former Russian President Dmitry Medvedev has stated that “the defeat of a nuclear power in conventional war may trigger a nuclear war (...). Nuclear powers have never lost major wars on which their fate depends.” (Al Jazeera, 2023). Russian nuclear doctrine allows for a nuclear attack in response to “aggression against Russian Federation with conventional weapons when the very existence of the state is threatened.” See, TASS News Agency, 19 January 2023.
- ^{xliv} Kenneth Rapoza, “One year after Russia annexed Crimea Locals Prefer Moscow to Kyiv,” *Forbes*, 20 March 2015; John O’Laughlin and Toal, “The majority of Crimeans are still glad for their annexation”, *Foreign Affairs*, 3 April 2020; Farid Rustamova and Maxim Tovkaylo, “What secret Russian state polling tells us about support for the war,” *Moscow Times*, 9 December 2022.
- ^{xlv} It is worth noting that the leading group of shipowners who are building these specially designed new tankers able to carry U.S. LNG to Europe are Greek shipowners. The Greek right-wing government, led by Kyriakos Mitsotakis, is one of the most fervent advocates of NATO governments supporting Ukraine and U.S. policy in Ukraine. However, the majority of Greek public opinion disapproves of this policy, without necessarily approving Russian aggression.
- ^{xlvi} The EU is struggling to find alternative sources of cheap energy. It approved the construction of the East Med pipeline, which involves Israel, the Republic of Cyprus and Greece, a costly project that no-one knows if it will ever take off. Turkey is also objecting to it because she feels excluded. More encouraging are recent indications

of large deposits of hydrocarbons south of Crete, within Greece's Exclusive Economic Zone (EEZ). Meanwhile, the scramble for hydrocarbons in the eastern Mediterranean has increased tensions between Greece and Turkey over maritime rights and delimitation of EEZ. See, Vassilis K. Fouskas, "Economic drivers of Turkey's foreign policy and the issue of 'strategic autonomy' (sub-imperialism)", Policy paper III, Centre for Advanced Turkish Studies and Yasar University Centre for Mediterranean Studies, January 2023.

^{xlvi} See, Vassilis K. Fouskas, "The Russian predicament", Valdai Discussion Club, 27 January 2023

^{xlviii} It follows that curing the inflation in the West requires high rate of investment in the productive sectors of the economy, high labour productivity and higher real wages. See, Vassilis K. Fouskas, "Curing the UK inflation rate: investment, high labour productivity, high wages", <https://www.openaccessgovernment.org/curing-uk-inflation-rate-investment-high-labour-productivity-high-wages/151929/>, 25 January 2023 (accessed on 1 February 2023). On the issue of financialization and neoliberal financialization, the heterodox economic literature is immense; see, among others, Costas Lapavistas, *Profiting Without Producing. How Finance Exploits Us All*, Verso, London 2013; for a review of this work, see Vassilis K. Fouskas "Review of 'Profiting without producing'", *The Political Quarterly*, 2015.

^{xliv} For a comparison on the global political economies of the U.S and China, see Vassilis K. Fouskas, Shampa Roy-Mukherjee, Qingan Huang and Ejike Udeogu, *China and the USA. Globalisation and the Decline of America's Supremacy*, Palgrave, London & New York 2021. This collective work involving a number of STAMP members (Centre for the study of States, Markets & People) at the University of East London debates the work of the late Leo Panitch and others who argue that U.S.-led globalisation turned China into America's "head servant".

^l Alan Cafruny and Ksenia Kirkham, "EU 'sovereignty' in global governance: the case of sanctions", in Leonid Grigoriev and Adrian Pabst (eds), *Global Governance in Transition: Challenges for International Cooperation*, Springer, New York 2019.

^{li} See, Vassilis K. Fouskas and Bülent Gökay, *The Disintegration of Euro-Atlanticism and New Authoritarianism. Global Power-Shift*, Palgrave, New York 2019, chapter 6.

^{lii} However, lacking policy instruments other than its normative framework of regulations, the EU acts also at the level of nation-state. Such is, for example, the semi-secret agreement between U.S.-Netherlands-Japan further restricting the sales of chips and chipmaking to China; see, Alan Beattie, "The EU will struggle to de-risk its trade with China", *Financial Times*, 2 February 2023.

^{liii} Jens Kastner, "China Belt and Road dreams fade in Germany's industrial heartland", *Financial Times*, 2 February 2023.

^{liv} See, "Re-industrializing America", *The Economist*, 4 February 2023.

^{lv} Adam Tooze seems to be close to our position in his "Three ways to read the 'de-globalisation' debate", *Financial Times*, 30 January 2023.

^{lvi} See, Vassilis K. Fouskas and Shampa Roy-Mukherjee, "Neoliberalism and ordoliberalism: One or two critiques?", *Critical Sociology*, v.45, 2019. This is the introduction to a special issue of *Critical Sociology* on Germany's ordoliberal model with contributors such as Werner Bonefeld, Alan Cafruny, Andrew Gamble, Bob Jessop, Leila Simona Talani and others, guest-edited by Fouskas and Roy-Mukherjee. The issue resulted from proceedings presented to a STAMP (Centre for the study of States, Markets & People) conference at the University of East London in December 2017.

^{lvii} See, IMF, "German-Central Europe supply chain", Cluster Report, n.13/263, Washington 2013.

^{lviii} See, Julian Germain, "Beyond 'geo-economics': advanced unevenness and the anatomy of German austerity", *European Journal of International Relations*, v.24, n.3, 2017.

^{lix} See, U.S. Treasury, "Foreign exchange policies of major trading partners of the United States", Report to Congress, Office of International Affairs, Washington DC 2016.

^{lx} Ben Aris, "Energy crisis: Europe's industry shutting down", *BNE Intellinews*, 20 September 2022.

^{lxi} Deutsche-Welle, "Controversial Ukrainian envoy leaves Berlin for Kiev", 15 October 2022.

^{lxii} See, Myah Ward, "Biden vows to shut down Nord Stream 2 if Russia invades", *Politico*, 7 February 2022.

^{lxiii} O. Scholz, "The global *zeitenwende*. How to avoid a new Cold War in a multi-polar era", *Foreign Affairs*, January-February 2023.

^{lxiv} See, G. Rinaldi, "Merkel admits failures in defence policy", *Politico*, 7 December 2022. In her December 7 interview with *Die Zeit* (2022) Merkel stated that "The 2014 Minsk Agreement was an attempt to buy time for Ukraine. Ukraine used this time to become stronger, as you can see today (...), it was exactly what gave Ukraine the priceless time". This was perspective then corroborated by Francois Hollande as well as Petro Poroshenko. Unless Merkel's "confession" was an attempt to rehabilitate her reputation in the context of virulent pro-war

sentiment and recriminations against all proponents of *Ostpolitik*, it effectively provides further dispositive evidence of the NATO's bad faith in dealing with Moscow.

^{lxv} Then24, "NATO generals pledge troops to war against Russia, with nuclear weapons", 20 June 2022, <https://then24.com/2022/06/20/nato-generals-pledge-troops-to-war-against-russia-with-nuclear-weapons/> (accessed on 3 February 2023).

^{lxvi} Otto Brenner Stiftung, "The quality of media reporting on the Ukraine war" University of Mainz <https://www.otto-brenner-stiftung.de/sie-moechten/sich-ueber-aktuelles-informieren/detail/news/die-qualitaet-der-medienberichterstattung-ueber-den-ukraine-krieg/news-a/show/news-c/NewsItem/>, 15 December 2022 (accessed on 3 February 2023).

^{lxvii} Shane Harris et al., "No conclusive evidence Russia is behind Nord Stream attack," *Washington Post*, 21 December 2022. Noting that the United States "is now the leading supplier of LNG to Europe", Antony Blinken characterized the sabotage as "a tremendous opportunity to once and for all remove the dependence on Russian energy (...), and offers a tremendous strategic opportunity for years to come".

^{lxviii} FT Reporters, "European industry pivots to U.S. as Biden subsidy sends dangerous signal", 20 November 2022

^{lxix} G. Chazan and P. Nillson, "Germany confronts broken business model", *Financial Times*, 5 January 2022.

^{lxx} L. Abboud, "Macron Says Climate Law Risks Fragmenting the West," *Financial Times*, 1 December 2022 <https://www.ft.com/content/a1a03af2-831a-433c-8984-b99c84018a13>

^{lxxi} See, "In 'systemic competition' with the USA" in <https://www.german-foreign-policy.com/en/news/detail/9091>, 22 November 2022 (accessed on 3 February 2023).

^{lxxii} Silk Road Briefing, "China's auto positioning in the 2023 Russian market", Dezan Shira and Associate, 6 January 2023

^{lxxiii} Bild Am Sonntag, "Germany becoming a dysfunctional state", 18 December 2022, <https://www.bignewsnetwork.com/news/273270721/germany-becoming-dysfunctional-state-mp> (accessed on 2 February 2022)

^{lxxiv} G. Chazan, "US and Germany to send armoured fighting vehicles to Ukraine", *Financial Times*, 5 January 2023.

^{lxxv} Josef Braml, *Die Transatlantische Illusion*, C.H. Beck Verlag, München 2022.

^{lxxvi} Beyond statistical information that can be gathered from official services, such as OECD, the IMF and the World Bank, see also the account by Daniel S. Hamilton and Joseph Quinlan, *Transatlantic Economy 2022*, open access in: <https://transatlanticrelations.org/publications/transatlantic-economy-2022/> (accessed on 3 February 2023). Still, however, given the U.S.'s relative decline and China's relative rise in global economy, an emerging new bi-polarism between the U.S. and China, also reflected in the strength of their respective currencies as global reserve units of account, means of payments and store of value is very probable in the next decade or so; see, among others, Nouriel Roubini, "A bipolar currency regime will replace the dollar's exorbitant privilege", *Financial Times*, 5 February 2023.