



Q2 2022

The Post Post-Cold War World



Russia-Ukraine War & Its Consequences

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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

Putin Planned for the Last War (Crimea)

Russia Overwhelmingly Stronger...

	 Russia	 Ukraine
Military spending <i>(% of total government expenditure)</i>	 11.4%	8.8%
Armed forces personnel	 900,000	196,600
Nuclear warheads	 6,257	0
Population size	 144 million	44 million
Economy	 1.483 trillion <i>(GDP, 2020 current USD)</i>	156 billion <i>(GDP, 2020 current USD)</i>

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.

GZERO

... 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

UKRANIAN COURAGE

Zelenskyy Meets the Moment with Guts & Social Media Savvy



Zelenskyy social media followers skyrocket



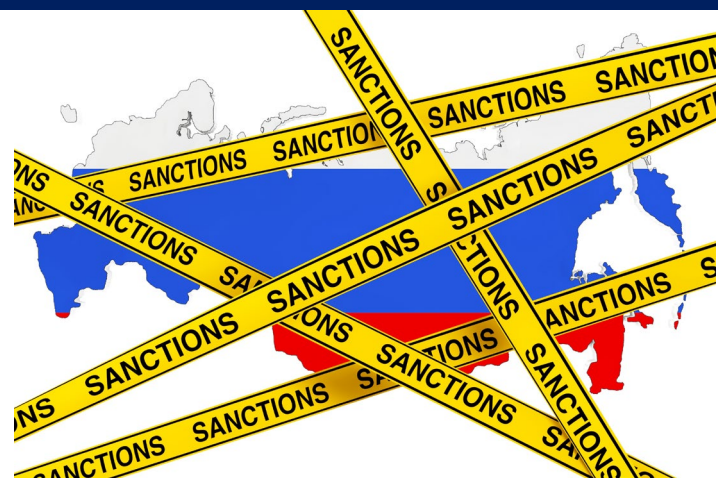
Feb. 8, 2022	408,074	9,270,923	
Mar. 8, 2022	5,163,974	15,462,412	2,448,524

WESTERN RESOLVE

*“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





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



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

SPEED OF BUSINESS DIVESTMENT & SUSPENSIONS

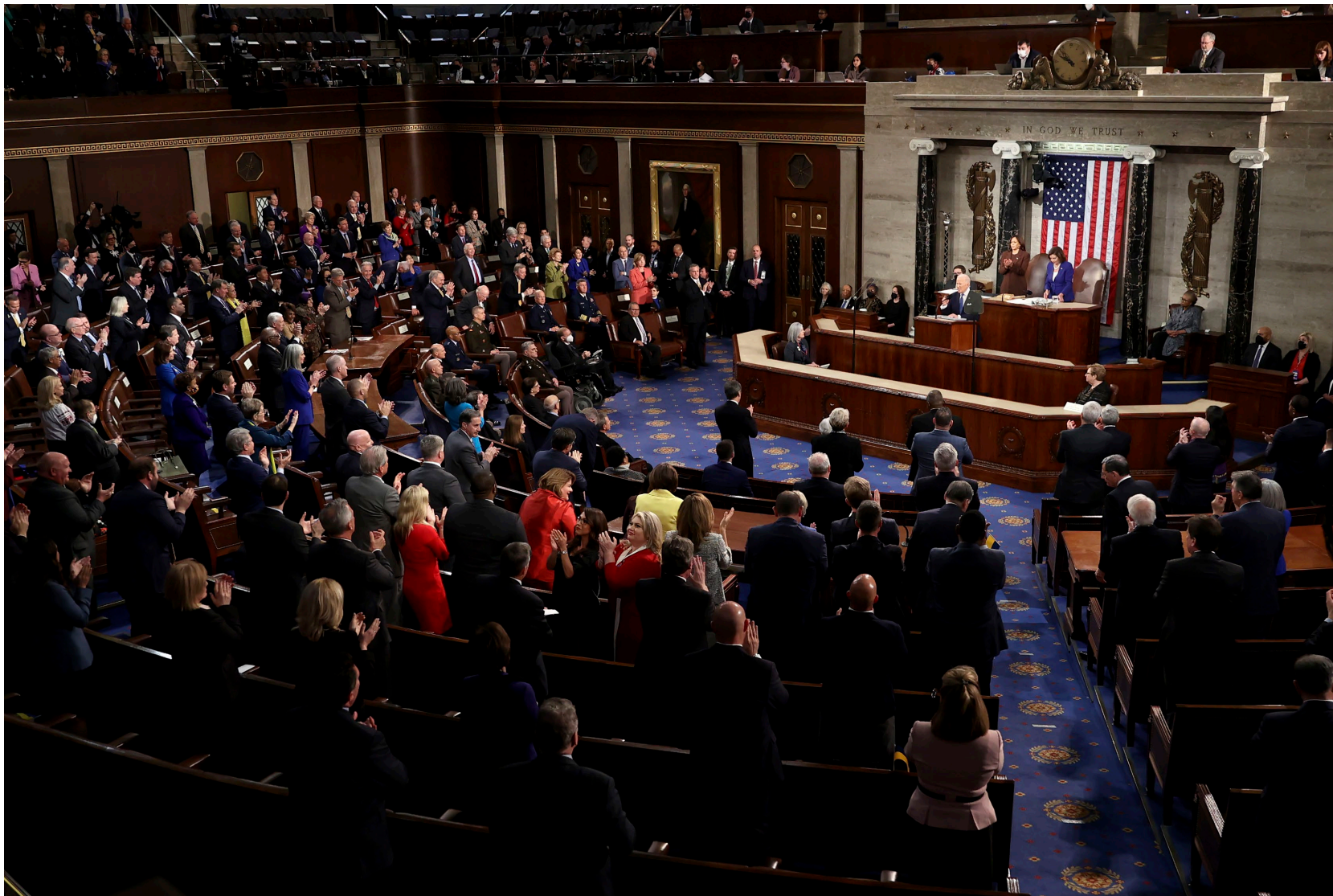
**Sanctions' Strictures + Stakeholder Pressure =
*Unwinding Decades of Investment in 2 Weeks***



BIPARTISANSHIP HOLDING

“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

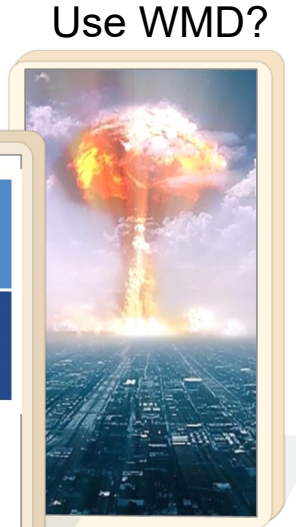
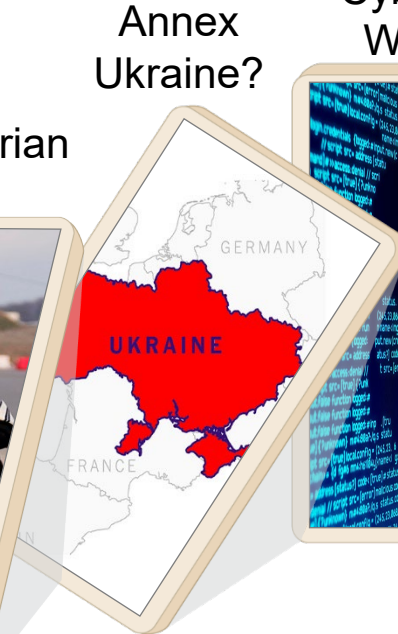
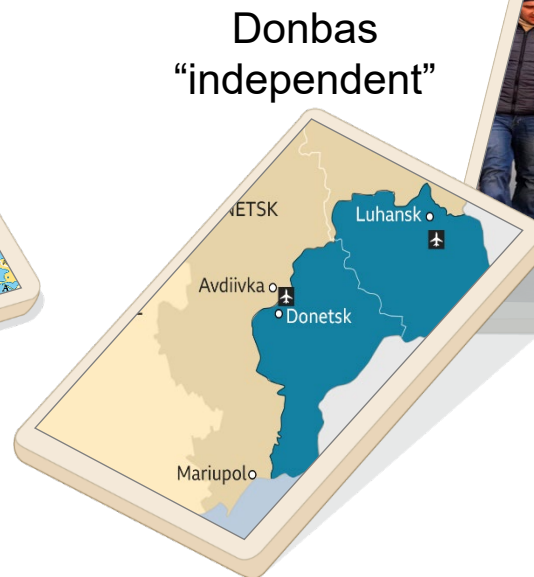
424-8

to end permanent normal trading relations with Russia

Middle:

UNCERTAINTY

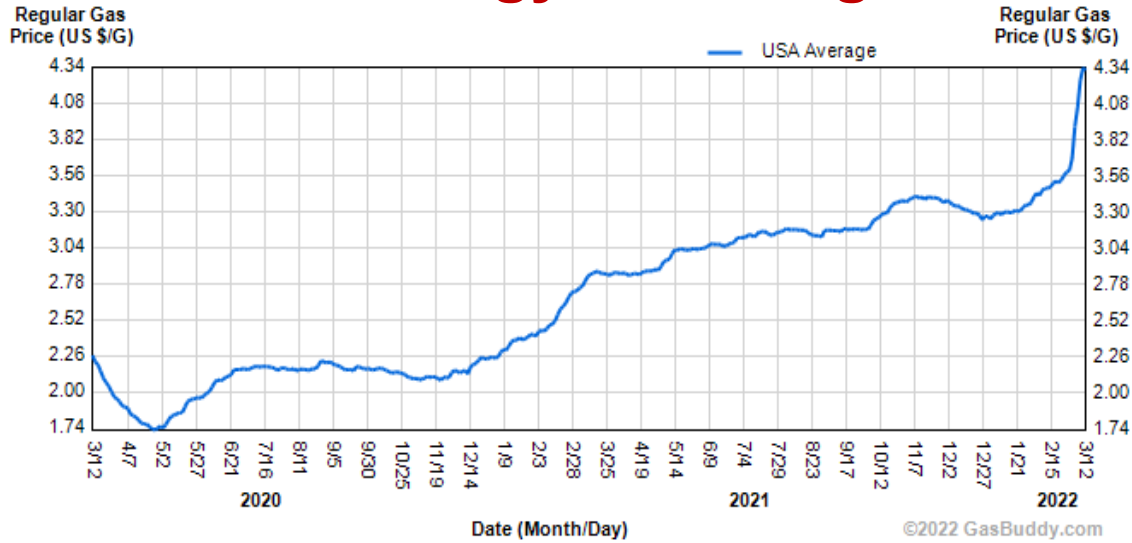
Massive Escalation Risks, Few Clear Off-Ramps



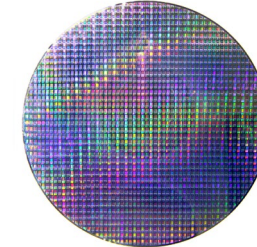
- WHAT'S PUTIN THINKING?**
1. Cut losses to save economy?
 2. Battlefield gains to improve negotiating position?
 3. Wait for West to grow tired, divided & angry?
 4. China will save Russia's economy?

WILL WAR UNDERMINE RECOVERY?

Energy Shocking



Shortages Worsening

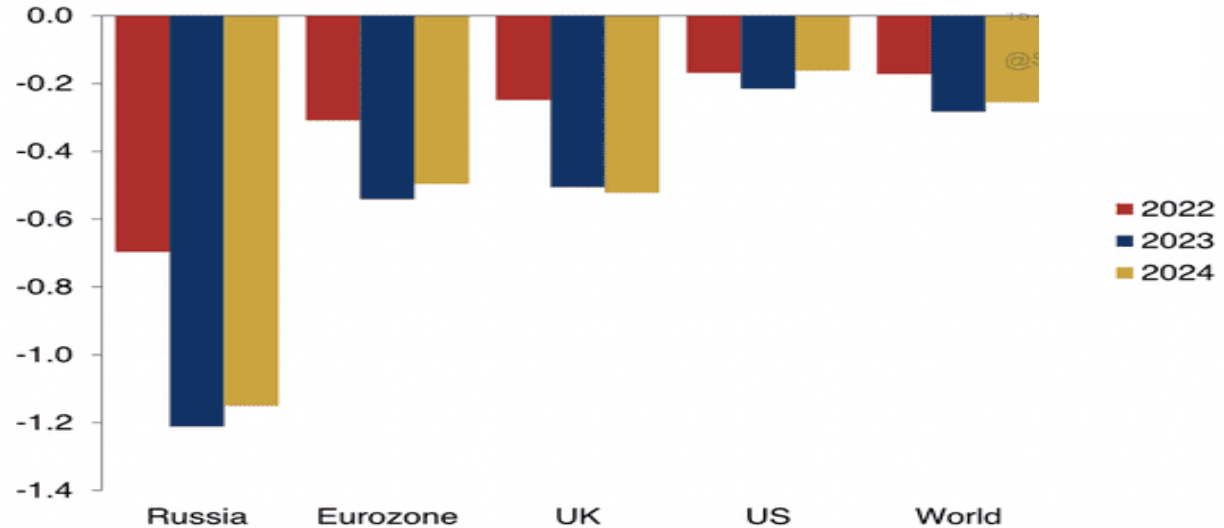


Inflation Persisting



GDP impacts

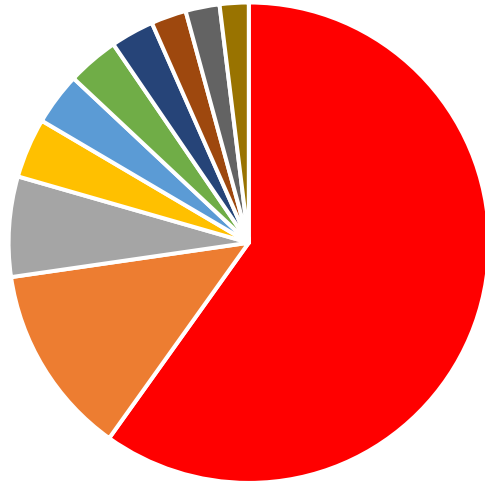
% difference from no conflict baseline



Growth Slowing

WILL SANCTIONS PROVE EFFECTIVE?

Is Energy Exemption Too Big?



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

Source: [Russia 2020 exports](#)

Are There Banking Backdoors?



Will Russian Citizens Know the Truth?

BLOCKED, VOLUNTARILY SUSPENDED OR ACTIVITY LIMITED IN RUSSIA

©CBS NEWS BBC abc NEWS New York Times
 CNN Bloomberg VOA RadioFreeEurope RadioLiberty DW Deutsche Welle
 Twitter Facebook Tik Tok

WAR IN UKRAINE
RUSSIAN MEDIA CRACKDOWN
 KREMLIN IMPOSES NEW LAW CRIMINALIZING CRITICISM OF UKRAINE INVASION
 cbsnews.com >> THE TAKEOUT WITH MAJOR GARRETT: FRIDAYS @ 6 & 9 PM ET

Will Other Nations Throw a Lifeline?

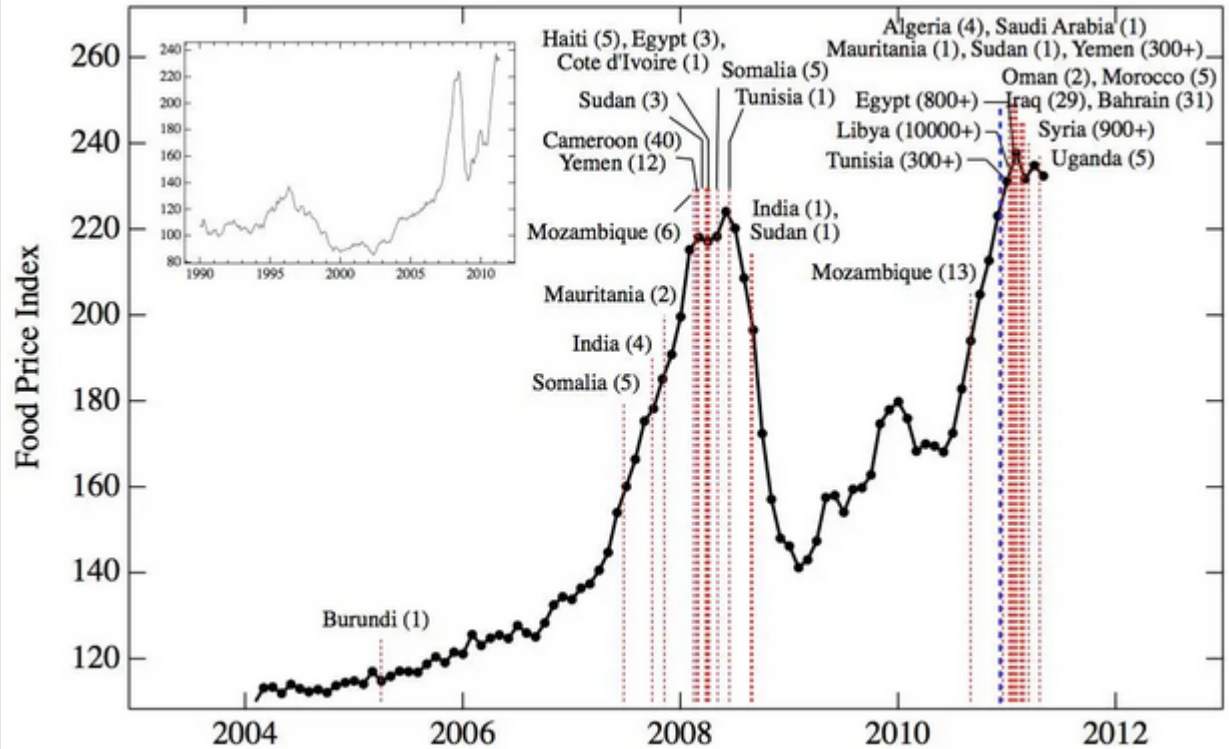
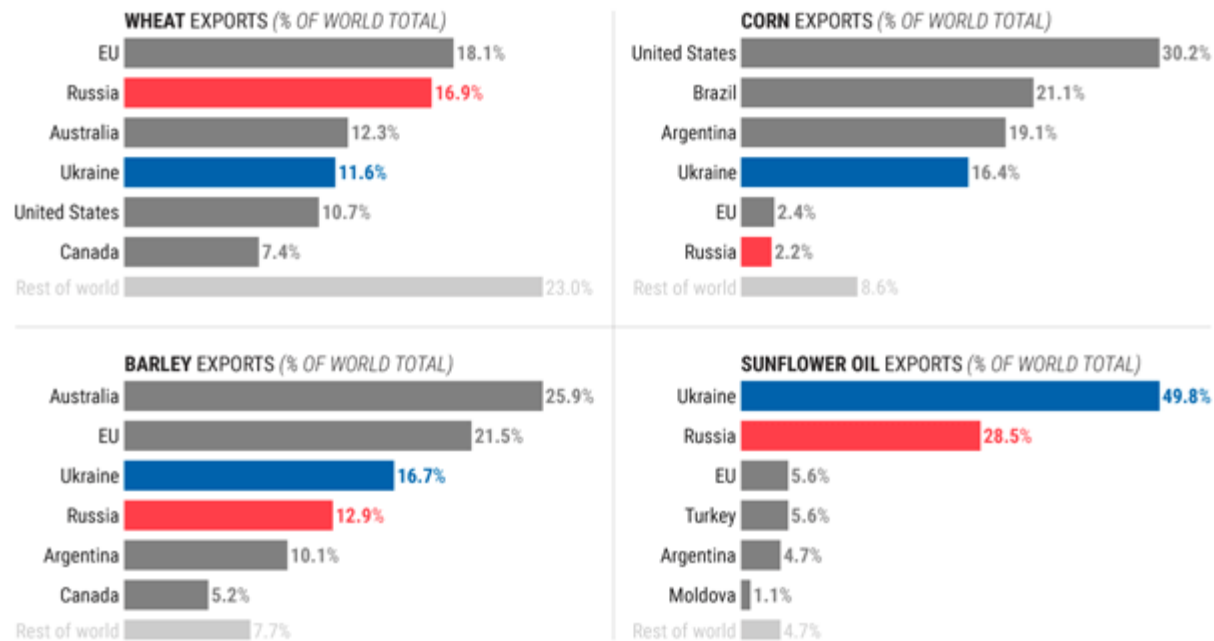


War in Europe's "Breadbasket" Threatens Wider Food Insecurity

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...

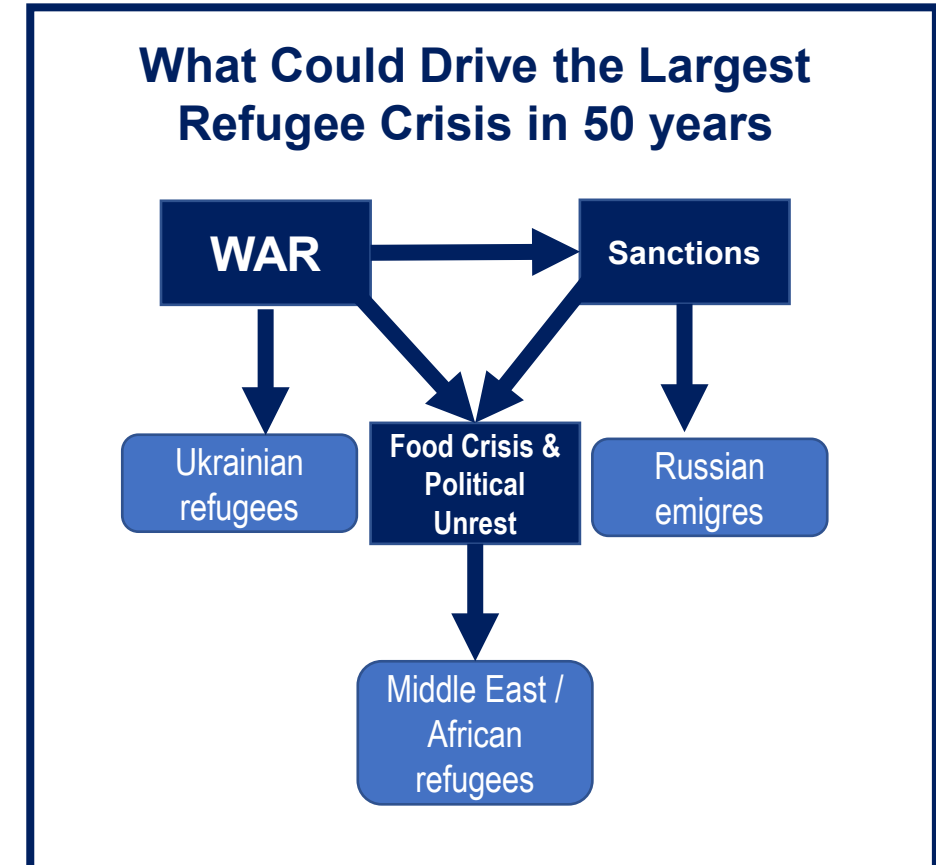
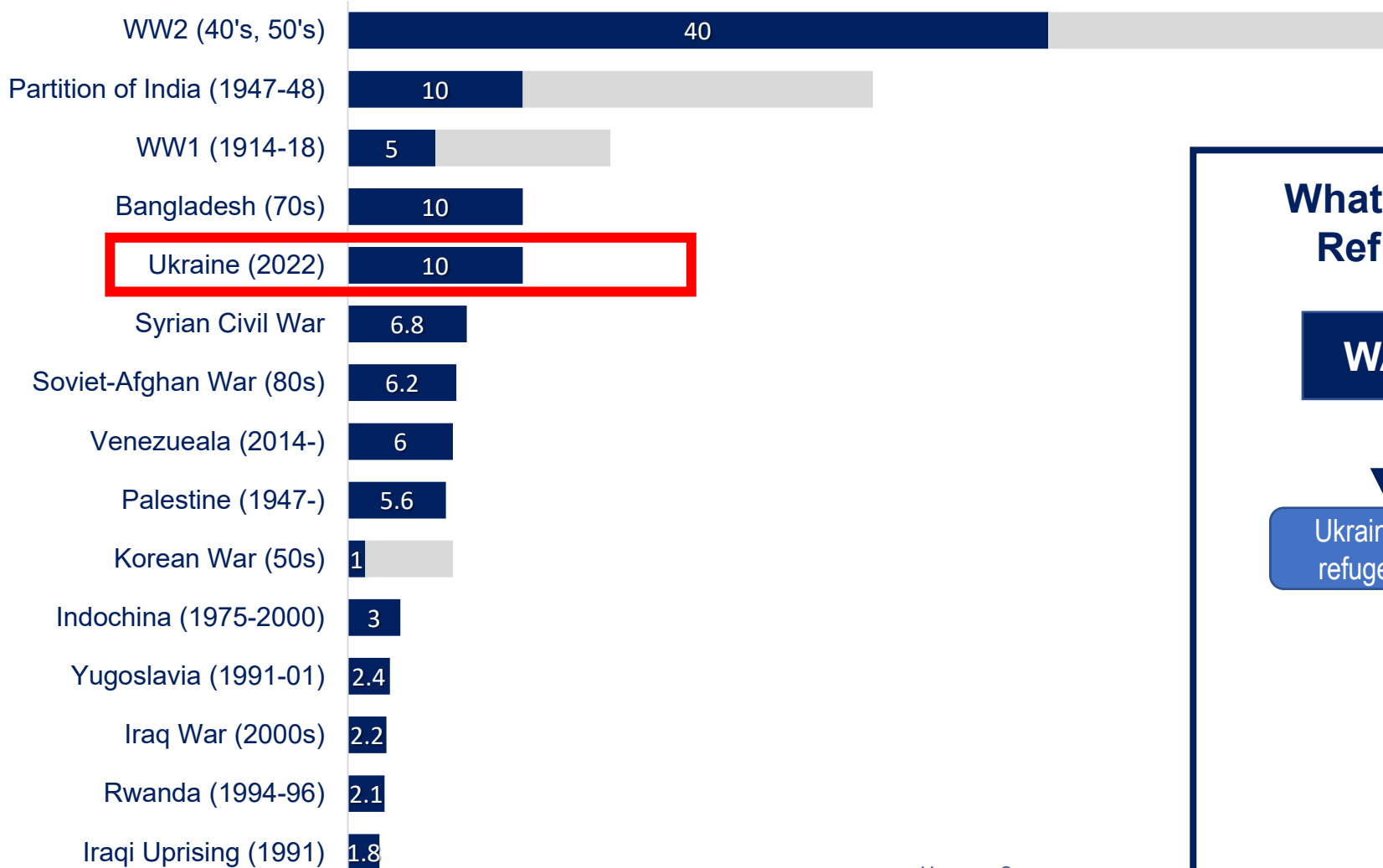
Top Wheat, Corn, Barley, and Sunflower Oil Exporters | 2021



Source: USDA Foreign Agricultural Service | © 2022 Geopolitical Futures

Millions Displaced, Fleeing to Europe Amidst Populism & Pandemic

Largest Refugee Crises (M) ■ Low Estimate ■ High



Sources: [Wikipedia](#); [UN](#) (10M displaced internally or 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?



Have Politics *Ever* Stopped at the Water's Edge?



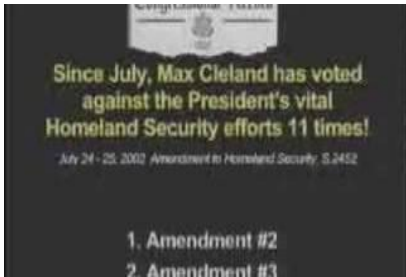
1964 LBJ vs Goldwater

1984 Reagan vs Mondale



1988 Bush vs Dukakis

2002 GOP vs Max Cleland



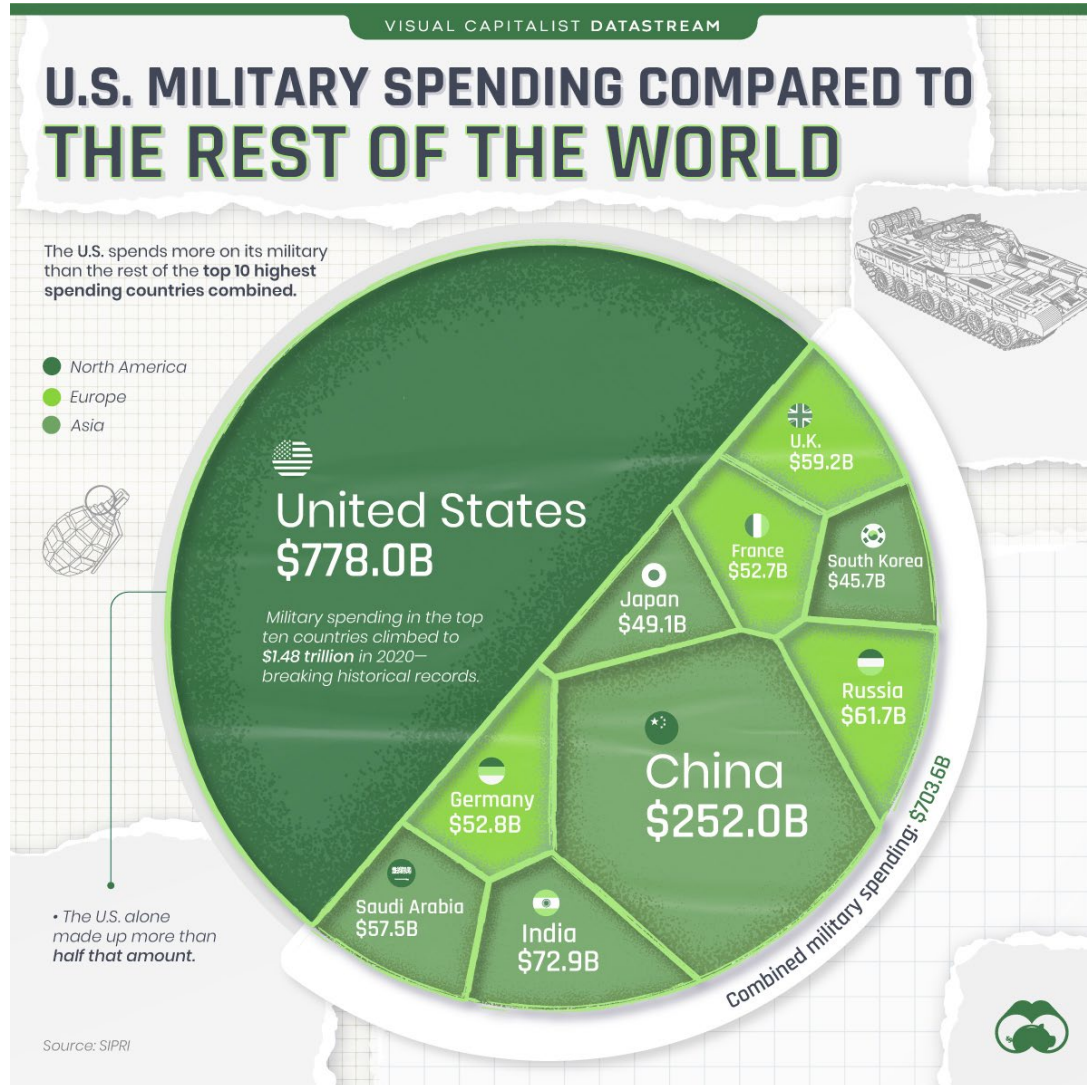
2006 Dems vs GOP



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?



81% of Republicans say:
“The Democratic Party has been taken over by **Socialists.**”

78% of Democrats say:
“The Republican Party has been taken over by **Racists.**”



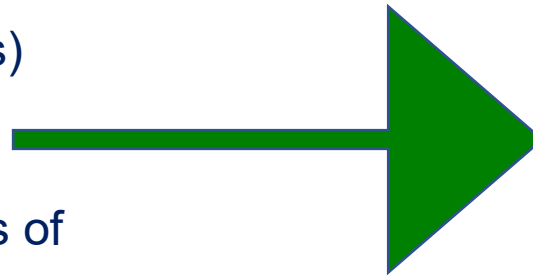
Endings:

NEW ORDER

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:

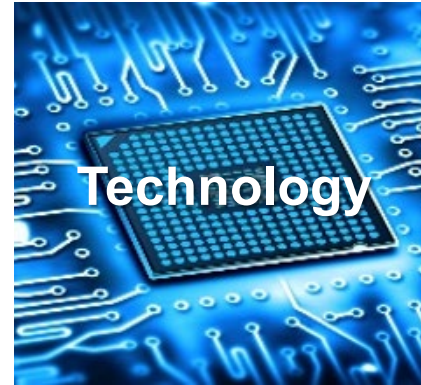
- 1856 (Crimean war) → Alexander II's liberal revolution
- 1905 (Russo-Japanese War) → 1st Russian Revolution
- 1917 (WWI) → Bolshevik Revolution
- 1962 (Cuba) → Khrushchev's removal
- 1991 (Afghanistan) → Soviet collapse



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

Decrease dependencies on U.S.



Increase dependencies on China



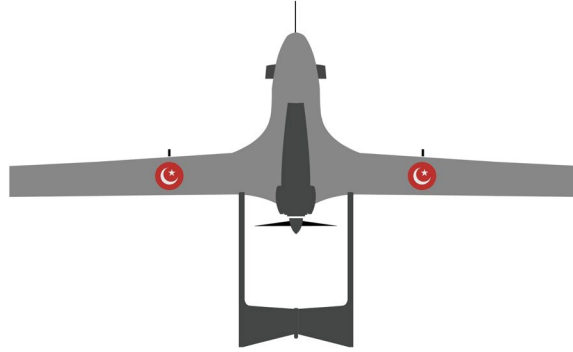
- Control domestic Internet
- Control sea lanes to protect imports
- Dominate trade in strategic areas (e.g. critical minerals)
- Reduce dependence on exports (\$676B trade surplus in 2021)
- Become **“Too Big to Bail”** for MNCs to divest
- Diversify \$3.2T currency reserves out of Western reach
- Greater 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

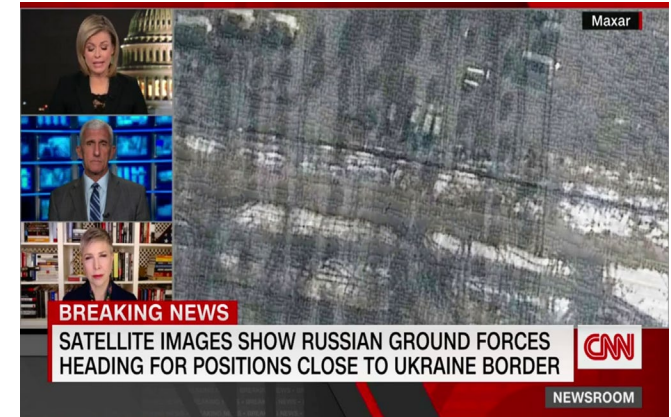
Social media rallies allies & shames sideliners



Low-cost drones offset air power inferiority; tanks struggling



Intelligence releases preempt lies & undermine false flags



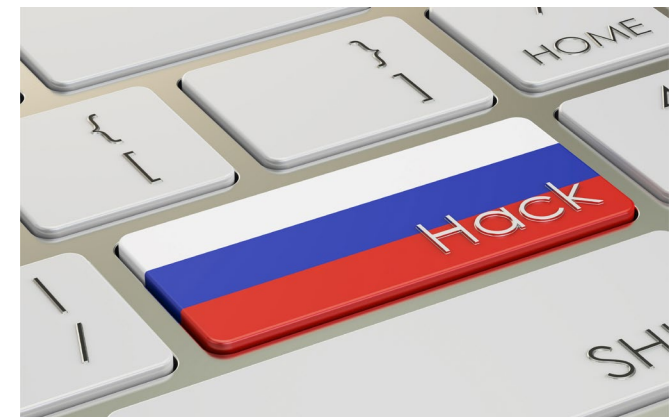
Massive sanctions increase economic cost of aggression



Commercial satellite broadband maintains connectivity



Hackers sow chaos in enemy infrastructure & comms





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

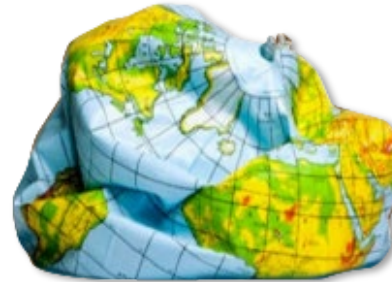


Energy Transition



- **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

1870 1880 1890 1900 1910 1920 1930 1940 1950 1960 1970 1980 1990 2000 2010 2020 2030

GLOBALIZATION

Geopolitics



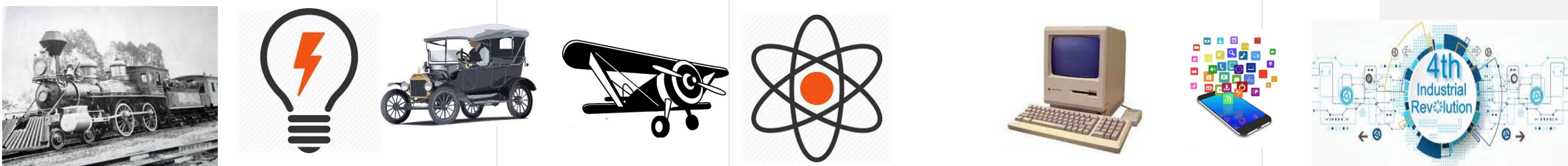
World Trade



U.S. Foreign Policy



TECHNOLOGY



History of Hamburgers



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

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