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QUOTES FOR THE DAY:

“Russia is basically a big gas station.” Jason Furman, Harvard economist- adviser to president Obama.

**“Russia doesn’t produce anything that anybody wants to buy except oil, gas and arms.”
President Obama, 12/16/16**

NAÏVE AND GLIB

That’s the simplistic assessment we get from a Harvard professor and our former president. Is that the attitude that was allowed to permeate the U.S. government and has left us at such a disadvantage in reacting to Russia in the face of the invasion of Ukraine?

Russia is so much more of a global force, economic and otherwise. OK, Russia doesn't manufacture and export refrigerators and air conditioners. It's not just a big gas station that Obama and advisers would have led you to believe, but the supplier of 40% of Europe's oil and gas needs. This European self-inflicted dependence on Russia makes sanctions in this sector extremely difficult to implement.

As noted in issue 137. Russia and its close ally and neighbor, Belarus, supply 40 % of the world's potash, a critical component in fertilizer needed for agriculture around the globe.

Russia is the world's largest supplier of wheat and together with Ukraine exports one quarter of the world's supply. Only one quarter may not sound like much, but it disproportionately affects many countries like Egypt and Turkey which import 70% of their wheat from Russia.

Critical metals exported by Russia include, palladium, aluminum and nickel, which, if sanctioned, have the potential to create further havoc in supply lines.

Then, we don't want to forget that little insignificant Russia has the world's second biggest nuclear arsenal and fearsome cyber attack capabilities.

If Ukraine comes under Russian control what happens to its reputation as "The bread basket of Europe"? And, beyond Europe, with 40% of its wheat and corn exports going to the Middle East and Africa, there are concerns that food shortages and rising prices will cause social unrest.

And, what about the European banks? Germany, France and Italy have lent billions of dollars to Russian companies.

Adam Tooze, director of the European Institute at Columbia University observes, "Severe sanctions that hurt Russia painfully and comprehensively have potential to do huge damage to their customers." Not so much damage for the U.S. where we will get used to \$5 gas prices, but what about our allies and other countries throughout the world who will

get hammered by the same sanctions we put on Russia?

It now appears that the warming relations between Russia and China will result in substantial relief via China exports and imports in diluting the impact of sanctions. And, don't think Mr. Xi isn't watching this scenario evolve with an eye on his desire to do the same with Taiwan – timing could be propitious with the U.S. and its allies focused on Russia/Ukraine.

Thus far, Russia seems to be focusing on military and military related targets along with extensive cyber attacks. A small number of pundits think this could be like the fall of Kabul and Afghanistan- a very quick affair. We'll see.

COULD THIS ALL HAVE BEEN AVOIDED?

Hard to say as Putin has always had his eye on Ukraine, believing it, rightly or wrongly, a historic part of Russia. It is noted that centuries ago Kyiv was the capital of the vast area that is now Russia and Ukraine.

One of Putin's most recent demands has been a demand for the promise that NATO would never consider Ukraine for membership and, to a lesser degree the same pledge with regard to other countries in close proximity to Russia. If the west had acquiesced on the NATO/Ukraine issue, it wouldn't have solved all the issues, but it is likely diplomatic efforts would not have been eclipsed by war.

Some research, not recorded in any of the major papers I read gives pause for reflection.

Putin contends that when the USSR broke up in 1991, NATO and the U.S. agreed that NATO would move no further in eastern Europe.

Not so according to Mr. Gorbachev who, in 2014 at the 25th anniversary of the fall of the Berlin Wall said, "NATO's enlargement was not discussed at all at that time." (1991) And, "Not a single eastern European country raised the issue, not even after the Warsaw Pact ceased to exist in 1991. Western leaders didn't bring it up either."

In fact, the only formal agreement between NATO and the USSR prior to its breakup was the Treaty of Final Settlement” which specified that there would never be deployment of non German troops to eastern Germany, which has been faithfully adhered to.

Related to the same issue, in 1993, then president of Russia, Boris Yeltsin, wrote to president Bill Clinton, “Any possible integration of east European countries into NATO will not automatically lead to the alliance (NATO) somehow turning against Russia.”, clearly signaling that Russia did not object to the direction Europe’s new security architecture was following.

Well, that settles it all – right? Not so fast. Mr. Gorbachev added at another interview that he viewed enlargement of NATO a “big mistake” and, “A violation of the spirit of the statements and assurances made in 1991.” In other words, he said there was nothing in the form of a written agreement, but he seemed to contradict his own earlier statement that the topic of enlargement of NATO had never been broached.

We all know which of the foregoing comments Putin hangs his hat on.

Putin uses history selectively and, according to writer, Roger Cohen, “ he appears to have forgotten that Ukraine once had a vast nuclear arsenal before it gave it up in 1994 under an agreement known as the Budapest Memorandum. Russia was one of the countries that signed the accord promising, in exchange, that it would never use force or threats against Ukraine and would respect its sovereignty and existing borders – so much for that.”

One would think with all of Putin’s complaining about NATO encroaching on Russia’s borders and creating a security threat to his country that former USSR countries had been clamoring for membership. Out of sixteen entities that were part of, or controlled by, the USSR, only Hungary, Estonia, Latvia and Lithuania have joined NATO. The latter three countries, known as the Baltic states are tiny. Populations: Estonia, 1.3 million; Latvia, 1.9 million; Lithuania, 2.6 million.

As an aside, remembering that NATO is pledged to militarily defend any of its members who come under attack, such a defense of the Baltic states would be highly problematic just look at the map.

Regarding the encroachment on Russia's security by former USSR countries becoming NATO members, a pundit commented recently on television, "It's like the fox is on top of the hen house terrified of the chickens on the ground below."

It is well known that Ukraine was a long way from ever becoming a member of NATO. The U.S., France and Germany all opposed it. Ukraine is not one of the little chickens, but certainly no match for Russia. It does seem, it might have been worth the exercise to guarantee Russia that Ukraine would not become a member and see if there was still smoke coming from shelling in Kyiv as there is today.(please, no Neville Chamberlin accusations) If Putin's true concern was about potential Ukraine membership in NATO, we would know, wouldn't we?

SPEAKING OF CHICKENS

Beautiful, tiny Lithuania (2.6 million people) is doing its own flea and elephant thing with China. Seems Lithuania has been cozying up to Taiwan, which has opened a representative office in Vilnius. That is a very big no no with China, and China is making an example of Lithuania for the world to see what happens when you become buddies with Taiwan.

For starters China has closed the door on all Lithuanian exports, milk products, peat-anything with a “made in Lithuania” label. Some enterprising Lithuanian business -men have been opening factories in other countries, but China’s economic espionage apparatus has sniffed them out and banned those products as well. OK, China doesn’t like it when any country recognizes or does business with Taiwan, but why pick on little Lithuania? Old Chinese saying, “You kill the chicken to scare the Monkey.” That’s you, Germany.

SICK CHICKEN

Alarming news that Avian influenza is barreling across the eastern U.S. affecting both

raised poultry and wild birds. It has not jumped to humans, but with this massive infection rate virologists find it worrisome because it increases the possibility that the virus could mutate in ways that make it more infectious to people. Just when you thought it was safe to go in the water again! I've always been aware of the fact that I eat a lot of chicken. Apparently, so do a lot of our fellow Americans. Collectively, we consume 9 billion chickens a year.

ENOUGH WITH THE CHICKEN ALREADY

Well, just one final one. Imus used to tell this great true story. There was a guy in China town who had a chicken that played tic tac toe. The chicken would peck at his next x or o decision. Unbelievably, the chicken won about 70% of his games against people. The universal complaint among the poor losers, "Unfair, the chicken always gets to go first."

Your faithful scribe,

PB

