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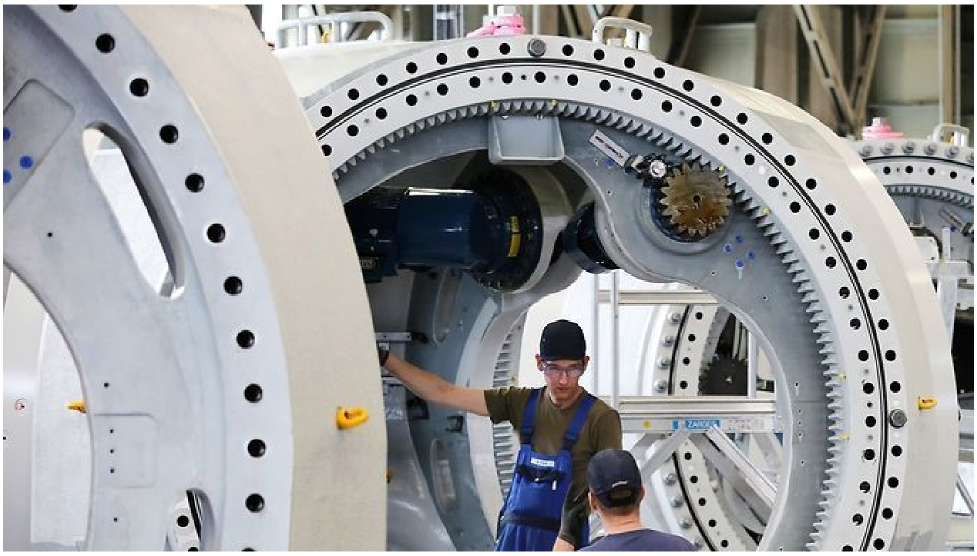
The war in Ukraine and the crisis in Germany



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Translated for Rebellion by Beatriz Morales Bastos

In May this year Germany's monthly trade balance went into the red for the first time since 1991. Regardless of who wins, it is becoming less and less clear what it will mean to win the war in Ukraine. The greater the destruction, the more difficult it seems to resolve the conflict. With the increase in the number of victims and sanctions, the objectives of the belligerents are inscrutable.

What would Russia gain by annexing a devastated corner of Ukraine compared to everything it would lose by doing so? Why does Ukraine want to keep a region that wants to be part of Russia? And with what objective does NATO erect a new Iron Curtain and thus consolidate a Russian-Chinese bloc endowed with both raw materials and advanced technology? Of course, the United States and its allies have long waged wars in which victory is impossible for the West to imagine. What would it be like to win in Iraq? Wanting to turn the country into a Muslim replica of Israel was never a realistic goal. In the end, Iraq was handed over to the Iranian sphere of influence, while Afghanistan has been abandoned to Pakistan and China (not to mention the Syrian civil war).

From these war experiences, while it is difficult to identify a potential victor in Ukraine, it is easier to glimpse potential losers. As we will see, one of them will probably be what the Australian economist Joseph Halevi calls "the German bloc", that is, a set of economically interconnected nations that extends from Switzerland to Hungary.

Of course, more or less all Europeans have lost in the current situation. At the beginning of the invasion what most worried everyone was the supply of gas and gasoline. Only later did it become known that Russia and Ukraine account for 14% of world cereal production and up to 29% of its world exports. It was later learned that both States supply 17 per cent of maize exports and 14 per cent of barley exports. Analysts also realized that 76% of the world's sunflower-based products come from these two countries. Russia also dominates the fertilizer market, of which it has a world share of more than 50%, which explains why the blockade has caused agricultural problems even in Brazil.

Other surprises awaited us. The war has affected not only the oil and gas sectors, but also the nickel sector. Russia (where Nornickel, a giant of the sector, is located) produced 195,000 tons of nickel in 2021, that is, 7.2% of world production. The invasion of Ukraine, coupled with a growing demand for nickel, which is used in high-voltage lines and electric cars, has sent prices soaring. The superconductor industry, which produces computers and computer chips, has also been hit hard. Indeed, the Russian steel industry sends neon gas to Ukraine, where it is purified for use in lithographic processes such as the marking of microcircuits on silicon plates. The most important production centers are Odessa and Mariupol (hence the fierce struggle for these regions). Ukraine supplies 70% of the world's neon gas, as well as 40% of krypton and 30% of xenon; its main customers are South Korea, China, the United States and Germany. The supply of several other "critical" metals is also threatened, asannounced in April by the Columbia Center for Global Energy Policy:

"*Other strategic metals that have been affected by this crisis with Russia are titanium, scandium and palladium. Titanium is critical to the aerospace and defense sectors. Russia is the world's third largest producer of titanium sponge, an essential material for makingr titanium. Scandium, widely used in the aerospace and defense sectors, is another key metal of which Russia is one of the three largest producers in the world. Palladium is one of the essential minerals most affected by the Ukrainian crisis, as it is a fundamental* component *of the automotive and semiconductor industries, and Russia supplies almost 37% of global production. Russian palladium illustrates one of the main geopolitical characteristics of precious minerals: alternative supplies are often located in equally problematic markets."*

Therefore, every day we discover new difficulties in disengaging Russia from the world economy. In part it is because the sanctions have turned out to be less effective than expected, despite the tenacious efforts of the United States and Europe. To date there have been at least six sets of sanctions, each more draconian than the last: Russia's expulsion from the international financial system operated by SWIFT; the freezing of the Russian Central Bank's foreign exchange reserves, which amount to some $630 billion; the freezing of $600 million deposited by Russia in US banks and the refusal to accept these funds as payment for Russia's foreign debt; the exclusion of major Russian banks from the City of London; and the restriction of Russian deposits in British banks.

Western airports (and airspace) are now closed to Russian aircraft and Russian merchant ships are prohibited from docking in Western ports (including Japan and Australia). Exports of technology to Russia have been banned, as have many imports. The EU has adopted sanctions against 98 entities and 1,158 people, including President Putin and Foreign Minister Lavrov, oligarchs such as Roman Abramovich, 351 representatives of the Duma, members of the Russian National Security Council, high-ranking officers of the armed forces, businessmen and financiers, publicists and actors. All Western banks and most Western companies have closed their stores in Russia and sold their branches. Russia responded by banning the export of more than 200 products and demanding to pay in rubles for oil and gas exports.

However, paradoxically some sanctions have played in Moscow's favor. The oil and gas embargo has boosted Russia's revenue due to the price hike it has caused, while foreign observers note that Russian supermarket shelves still look well stocked.

In the first four months of 2022, the Russian trade balance recorded its largest surplus since 1994, $96 billion. In addition, after the initial fall of the ruble during the first days of the war, this currency has gradually recovered to the point that today it is worth more than last year. In 2021 it took 70 rubles to buy a dollar. On March 7, the worst day for the Russian currency, this figure had almost doubled, although by July 18 it had fallen to 57.

The relative ineffectiveness of sanctions was foreseeable. Decades of economic warfare have failed to bring down defenseless countries such as Cuba (blockaded for more than 70 years), Bolivarian Venezuela (30 years) or Khomeinist Iran (42 years of US sanctions). It is therefore very difficult to imagine that sanctions could trigger regime change in a country like Russia that has prepared for this eventuality by renewing its industrial capabilities.

However, the more ineffective the sanctions, the longer the war drags on, escalating and deepening divisions that seem increasingly insurmountable. At this point, we can assume that relations with Russia will break down for at least a few decades (an unpleasant situation for any Westerner who has not been lucky enough to visit Moscow and St. Petersburg). The new Iron Curtain has been raised and will remain for years to come.

This will thwart the German bloc's strategic plans over the past thirty years. Joseph Halevi's thesis is that since the fall of the Berlin Wall and the collapse of the USSR Germany has sought to build reciprocally interdependent economies that now essentially amount to a single economic system. This economic group has a western flank (Austria, Switzerland, Belgium and the Netherlands) and an eastern flank (the Czech Republic, Slovakia, Hungary, Poland and Slovenia) which are distributed different roles and sectors. The Netherlands has the function of a global platform and transport hub; the Czech Republic and Slovakia are the headquarters of the automotive industry; Austria and Switzerland are producers of advanced technologies, etc. Given that Germany is the hegemonic center of this bloc, we should review our view of its geopolitical role and its global importance. In total the bloc has 196 million inhabitants compared to 83 million in

Germany and a GDP of 7.7 trillion dollars compared to 3.8 trillion in Germany. This makes this country the third economic power in the world, smaller than the United States and China, but larger than Japan.

This network of relationships is especially visible when we analyze trade. German exports to Austria and Switzerland, which total 17 million inhabitants, amount to 132,000 million euros, compared to 122,000 million euros to the United States and 102,000 million euros to France. In terms of total trade with Germany, France (with a population of 67 million) lags behind the Netherlands (with only 17 million): €164 billion versus €206 billion. Italy, on the other hand, receives less than Poland, despite having a larger population (60 million versus 38 million) and almost double *the per capita* income. This is a radical change, since in 2005, a year after Poland's entry into the EU, Germany's trade with Poland was only half that with Italy.

Consequently, what has happened is that the German industrial apparatus has been reoriented, on the one hand, towards the other European partners and, on the other, towards its own economic bloc and trade with China. Beijing has become Germany's largest trading partner, with a trading relationship valued at €246 billion. The other members of the German bloc have also experienced a notable increase in trade with China. Halevi points out that

"*If we take as a benchmark 2005, the year immediately after the accession of Eastern European countries into the European Union, in 2021 the dollar value of Germany's global merchandise exports increased by 67%, while its trade with China multiplied by more than four. During the same period, although French and Italian exports to China nearly tripled, they grew at a much slower pace than German trade. In the case of the states of the German bloc, integration with Germany generated a real explosion of exports to China: Germany not only paved the way for them, but established links between sectors and individual companies that, in turn, stimulated local exports. To western Germany, direct exports from the Netherlands to China have at least increased fivefold since 2005, while those from Switzerland have increased twelvefold, making it the second largest European exporter to China. These trends were much lower in Belgium and Austria. On the eastern side, exports to China increased five and a half times in poland, six times in Hungary, about ten times in the Czech Republic and almost 21 times in Slovakia.*

The natural consequence of this process is the formation of a Eurasian economic zone, which is a real goal of China both for its need for Russian raw materials and for the growing nodes of railway infrastructure that cross Russia, Kazakhstan and Ukraine. According to the Financial Times*, in the last decade the first convoys of freight trains left China bound for Dortmund and the Netherlands. At least in the industrial sphere, the Germans intended to create synergies between China, Russia, Kazakhstan, Ukraine and, therefore, Europe and Germany. In other words, it was about integrating the States that brought together the export zones of logistics, production and energy (Russia, Ukraine, Kazakhstan) and the importers of industrial goods from China and Germany."*

Este programa era el equivalente alemán de la Nueva Ruta de la Seda o Belt and Road Initiative, que emprendió Xi Jinping en 2013. Según Halevi, el objetivo final del bloque alemán es crear un frente continental euroasiático cuyos dos extremos sean Alemania y China, y Rusia el conector indispensable. Esto explica la persistencia de los alemanes en poner en marcha (en contra de los intereses de Washington y la OTAN) el gaseoducto Nordstream 2.

The war has ended the dream of a common Eurasian space, because it forces Germany to weaken its ties with China and closes the Russian communication channel between the two. It also prevents Germany from using Russia's rich energy resources (or Großraum [large space], in the sense of the term used by Carl Schmitt). Instead of a Großraum Russia has now become an insurmountable geopolitical obstacle, forcing the strategists of the German bloc to revise the entire plan, to rethink the relationship between its own sub-imperial power and the American empire, and to redefine its relations with the other European states. At the same time, the German bloc has been affected by the conflicting interests of the different states that make it up.

A small but significant fact indicates the extent to which the rules of the game have changed: in May 2022 Germany's monthly trade balance went into the red for the first time since 1991. Although it was not a very high amount (only about 1,000 million dollars), it is a trade deficit that was unthinkable until recently.

With the conflict in Ukraine comes a situation that is not without historical precedent: the defeat of German strategy. In this almost "Third World War" the losers are still the Germans.

Source: https://www.sinistraineuropa.it/approfondimenti/la-guerra-in-ucraina-e-la-crisi-della-germania/

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