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Stagflation in the West and dispute over raw materials in a world at war

Sources: Paco Urondo Agency

In California, United States, the liter of diesel came to be paid the exorbitant figure of 2 dollars per liter, in a market that traditionally has prices below the world average. For its part, gasoline rose 60% in a year, although it is now retreating along with the fall in demand. On the other side of the Atlantic, the situation is more worrying. Wholesale gas prices in Europe are already approaching on average 200 euros per megawatt hour, compared to 25 euros before the crisis. **Inflation in the United States stood at 9.1% per year in June (fourth consecutive month above 8%) and in Europe 8.6%.**

In both cases these are numbers that were not known for at least three or four decades. To this is added the two quarters of economic decline in the US (the first of 1.6% and the second of 0.9%) and recessionary forecasts in Europe for the second half of the year, whose negative interest rate did not serve to reverse the structural stagnation that began after the 2008 crisis.

That is, **the geopolitical West is practically at the gates of stagflation, which expresses conjunctural elements but also more long-term issues**.

In this scenario, Europe and the US face a set of complex economic and geopolitical dilemmas. Among others, attacking inflation by raising interest rates contributes to a recessionary scenario, while it can burst the financial bubble (especially in bonds and technology) that expanded in the last decade exorbitantly, in the heat of interest rates on the ground to avoid, precisely, a recession by financializing the economy.

On the other hand, **agreeing with Moscow, de-escalating the economic war through sanctions and curbing the process of economic disconnection with Russia that hits particularly in the energy sector would mean having to assume a strategic defeat in Ukraine**, accepting some of Russia's fundamental objectives, including, among others, the integration of the Donbas into its Federation, but also the provinces of Kherson and Zaporizhia. It would be yet another setback in Eurasia that would add to those in Afghanistan, Iraq and Syria.

High inflation is a global phenomenon, but it also has its peculiarities: while in Latin America the numbers tend to be higher than in the West (with the great exception of Bolivia), in China, on the other hand, annualized June inflation gave only 2.5%.

Además, en relación a la inflación está el tema de la escasez, lo cual constituye un gran problema para los países periféricos y semiperiféricos con poca capacidad estatal para enfrentar estas situaciones, particularmente de productos básicos, que puede fácilmente convertirse en hambre. Lo más "triste" es que se trata de los países que en general producen dichos productos básicos, una muestra más de la dinámica desigual y combinada del capitalismo mundial, y de las relaciones de dependencia. Es el caso de Argentina y Brasil, potencias en la exportación mundial alimentos, pero que según la FAO se encuentran entre los países que tienen entre un 25 y 39% de la población con inseguridad alimentaria moderada o severa.

¿Cuáles son las causas?

The dominant "Western" media seem to claim in chorus that the cause of all problems is Putin. However, the chairman of the US Federal Reserve himself observed that the problem of inflation predated Russia's intervention in Ukraine. In fact, before the "special military operation" the United States already had the highest inflation in 40 years. The BBC itself also acknowledges that "Even before Vladimir Putin ordered the offensive, at the end of February, the global demand for diesel already exceeded supply." (15/06/2022)

The first key cause was the Pandemic. The abrupt closure of much of the economy due to the confinement produced a collapse in demand – remember that oil came to have negative prices (US $ -37) – with a consequent fall in production and investment. That would then be felt. **Getting global production and logistics back up and running "all at once" proved complicated.**

This supply-side problem occurred alongside a huge state push to sustain demand, causing a sharp imbalance. In this sense, the central banks of the US, EU and Japan issued almost US$ 5 trillion, which unlike the post-2008 financial hyper-expansion was not only to sustain and swell the bubbles for the benefit of financial power, but also to the pockets of the workers.

In the case of oil, once it touched the floor of May 2020, it has not stopped having an increasing trend, reaching almost 95 dollars per barrel on February 14, 2022. To this is added that there is a new relationship of forces worldwide, an advance of relative multiplication, which translates into a greater capacity of OPEC + Russia to manage world production and decisively influence prices. This was seen in the last week when this entity surprised with an unexpected cut of 100,000 barrels per day, causing a rise in the price of 4%.

The other cause is the war in Ukraine, which is part of a global conflict, which articulates regional and local elements. Since 2014, a hybrid and "little bit" world war has been taking place. In fact since then the economic war against Russia was expressed in 2754 sanctions, which in March of this year, following Moscow's military intervention, had already doubled. We are experiencing a new escalation of a world conflict. The

Pandemic accelerated the trends of geopolitical transition: the relative decline of the US and the Global North and the relative rise of China and emerging powers centred in Eurasia. With this, the Hybrid and Fragmented World War (GMHyF) also changed phase and intensity.

In other words, the conflict in Ukraine of Russia vs NATO, which articulates a civil war (since 2014) and an interstate war (since 2022) is an expression of this escalation of the GMHyF from low to medium intensity. And in every war it is crucial to secure supply/reserve of raw materials. That is, there is a historical correlation between war—particularly those wars that are systemic, inherent in the great historical-spatial transitions of power—and commodity prices.

However, this is not linear and there may be conjunctural countertrends, such as recessionary periods or "ceasefires. In addition, it must be borne in mind that at present, although it is a systemic conflict that will not be resolved in the short term - typical of the crisis of hegemony and transition - the dynamics of this GMHyF are different: it is more volatile and fluctuating, although it does not lose structural features. **The economic war against Russia**

The other key element of this war and the rise in commodity prices is the centrality of the economic war against Russia. The dominant forces in Washington and London understand that it is in the economic dimension where the main weakness of the Eurasian power lies and it is there that it deployed its most powerful weapons, dragging Europe.

The problem with this high-intensity economic war (with "all the meat on the grill", including the expulsion of most Russian entities from the SWIFT international payment system) is that it is done on a commodity giant. **Russia is the leading exporter of gas with no less than 20% of the world's supply. It is also the second oil exporting country (10%) and the first wheat exporting country (19%, to which is added 10% of Ukraine). It is also the main exporter of fertilizers (15.6%), the second of coal, the third producer of gold, the second platinum, the fourth of silver and owns 30% of the world's proven natural resources**, in a country whose dimensions are equivalent to just over one ninth of the mainland of the planet.

Another fact that shows the relative power of Russia, although it occupies a semi-periphery place in the world capitalist economy, is that it is the second largest arms exporter in the world, being of the first level (or with centrist characteristics) in the defense, aerospace and cyber industry.

The relative importance of the Russian economy is underestimated in the Anglo-Saxon press. It was compared with Italy by taking nominal GDP. But its importance is much greater in qualitative terms. In fact, if we measure its GDP according to real purchasing power or purchasing power parity, the size of Russia's economy is similar to that of Germany, ranking sixth globally at $4.7 trillion. This last indicator, together with the sovereign production capacity of food, energy and armaments are key to strategic analyses (although it should not be taken as absolute), especially in a country that is a power in arms production and, therefore, does not pay in foreign currency for the acquisition of equipment, nor depend on another power.

Another fact that accounts for a certain relative strength of Russia's economy – or resilience as it is said now – is that unlike other economies that were subjected to economic war, this one was recovering since 2018 despite the sanctions, after the initial blow of 2014 and 2015. This is partly explained by Russia's relative capabilities in deploying a post-2014 war economy — this is seen in the level of its financial reserves or in a budget that closes at $44 a barrel of oil — but also and especially because it has in China, but also in India and other Eurasian countries. a large strategic cushion.

These strengths are reflected in the Russian currency, the ruble, which was the one that valued the most in the year. From the initial devaluation, when it reached 139 rubles per dollar (at the beginning of March) today the parity is at 61, much better than before the direct military intervention in Ukraine.

This is not to say that Russia does not have weaknesses. It is an economic semi-periphery – although with a high degree of sovereign control of its economy and strategic capabilities, it is not comparable to other semi-peripheries such as Brazil – and the disconnection with Europe, the embargo and isolation of the Global North will hit it. It is estimated that this year its economy will contract by 4%. Much less than initially expected by the West, which was excited about falls of the order of 15% or 20%, but it is still important and stops the dynamics of the recovery of recent years. In addition, it remains to be seen if it manages to reorganize the supply chain for its industry dependent on the Global North.

The energy disconnect between the West and Russia

Here appears another key element of the current price collapse and where it is also seen that this economic war against Russia has an important turn for the US and THE EU itself (with a somewhat catastrophic horizon for the latter): **the question of the energy "disconnection" between the West and Russia.**

This disconnect is one of the great geostrategic and economic objectives of the US and the American and British globalist and Atlanticist forces, which the European Union adopted as its own, accounting for its strategic subordination. It is a great triumph, at least conjunctural, of these forces in the quest to over-extend and unbalance Russia (as recommended by the Rand Corporation in 2019).

The problem is the costs of this strategy. Until last year Russia provided 41% of the gas, 27% of the oil and 47% of the coal consumed by Europe. The 155 bcm of Russian gas is not available anywhere (the US sent 22bcm in 2021). And you need infrastructure that takes years to build. Europe's energy dependence on Russia was and remains structural. To give an idea of the importance of Russia, it is worth saying that in the case of oil, Iraq followed as a supplier with 9%, in coal the United States with 17% and in Norwegian gas with 16%. Nor will it be easy in the short term for Russia to redirect such a volume of exports, although it benefits from prices.

U.S. Liquefied Natural Gas from fracking, which the EU itself has now pledged to support/develop to meet its energy needs, has a 2030 horizon and is much more expensive than Russian direct pipeline gas. Both the shortfall and the increase in costs in the short but also in the medium term, put pressure on the competitiveness of European industry. It was Volkswagen's own CEO who called for separating the European strategy from the American one in the heat of the enormous crisis of German industry. A short time later he left his position...

The embargo on Russian oil (it was decided to reduce 90% by the end of the year) has similar effects. In addition, the question arises of what to do with Russian refineries in Europe that distill 10% of the fuel in Europe. In fact, today refineries that get Russian oil at a 30% discount have a huge advantage. Not to mention, the advantage of China and India that they supply themselves with cheaper oil, increasing their global competitiveness.

The United States and the EU under the leadership of the globalist establishment want to carry out a huge geo-economic restructuring, to secure Europe as the main Eurasian bridgehead and build a "Greater West". Disconnecting seems to be the key. But the question is how long Europe will endure under stagflation. To the contradictions in the dominant classes and groups of power are added growing national demonstrations against the policy of Brussels, as recently seen in the Czech Republic, where they asked to follow a path more similar to that of Hungary.

The economic and strategic gains in the conjuncture were more than significant from the geostrategic perspective of Washington and for the large US energy transnationals, such as the technological ones in the Pandemic. The share price of U.S. oil companies soared in the stock market in the face of the Ukraine crisis.

However, as has been the case since 2008, the political, economic and social consequences of these strategies (now exorbitant prices and shortages of food and energy) end up piercing their own political legitimacy, sharpening the disputes between fractions of capital and the fractures in the dominant groups, and aggravating the social unrest in the Global North that feeds anti-globalism.

Latin America

For our countries exporting raw materials, the big question is how to take advantage of a historical scenario of high international prices (beyond the conjunctural fluctuations), while decoupling domestic prices from international ones, since otherwise the inevitable scenario is one of social crisis (to which the issue of scarcity can be added). The central question – as it was in the pandemic with some industries and services – is who/who appropriates the extraordinary surplus and what it is used or invested for. This has as a background a great distributive bid for the extraordinary surplus - which is both global and national - and a huge political bid for a country project.

This bid exploded a few months ago in Ecuador, whose main export product is oil but which suffered a large increase in fuel. This contradiction had been revealed in October 2019 and intensified in June of this year.

In this context, it is worth **mentioning, as Evo Morales mentioned a short time ago, analyzing the problem of inflation and economic stagnation in Argentina, that the nationalization of hydrocarbons in Bolivia was one of the keys to its economic miracle of the last 15 years**. From there it was possible to socially redistribute the hydrocarbon income and channel it towards investments that seek the development of the national productive forces towards greater levels of complexity, while guaranteeing a certain level of profits for the transnationals to ensure access to capital and the most advanced technology.

Source: https://www.agenciapacourondo.com.ar/internacionales/estanflacion-en-occidente-y-disputa-por-las-materias-primas-en-un-mundo-en-guerra

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