



Sit back and watch Europe commit suicide

Description

EU: The stunning spectacle of the European Union (EU) committing slow motion hara-kiri is something for the ages. Like a cheap Kurosawa remake, the movie is actually about the US-detonated demolition of the EU, complete with the rerouting of some key Russian commodities exports to the US at the expense of Europeans.

It helps to have a 5th columnist actress strategically placed – in this case astonishingly incompetent European Commission head Ursula von der Lugen – with her vociferous announcement of a crushing new sanctions package: Russian ships banned from EU ports; road transportation companies from Russia and Belarus prohibited from entering the EU; no more coal imports (over 4.4 billion euros a year).

In practice, that translates into Washington shaking down its wealthiest western clients/puppets. Russia, of course, is too powerful to directly challenge militarily, and the US badly needs some of its key exports, especially minerals. So, the Americans will instead nudge the EU into imposing ever-increasing sanctions that will willfully collapse their national economies, while allowing the US to scoop everything up.

Cue to the coming catastrophic economic consequences felt by Europeans in their daily life (but not by the wealthiest five percent): inflation devouring salaries and savings; next winter energy bills packing a mean punch; products disappearing from supermarkets; holiday bookings almost frozen. France's Le Petit Roi Emmanuel Macron – perhaps facing a nasty electoral surprise – has even announced: “food stamps like in WWII are possible.”

We have Germany facing the returning ghost of Weimar hyperinflation. BlackRock President Rob Kapito said, in Texas, “for the first time, this generation is going to go into a store and not be able to get what they want.” African farmers are unable to afford fertilizer at all this year, reducing agricultural production by an amount capable of feeding 100 million people.

Zoltan Poszar, former NY Fed and US Treasury guru, current Credit Suisse grand vizir, has been on a streak, stressing how commodity reserves – and, here, Russia is unrivaled – will be an essential

feature of what he calls Bretton Woods III (although, what's being designed by Russia, China, Iran and the Eurasia Economic Union is a post-Bretton Woods).

Poszar remarks that wars, historically, are won by those who have more food and energy supplies, in the past to power horses and soldiers; today to feed soldiers and fuel tanks and fighter jets. China, incidentally, has amassed large stocks of virtually everything.

Poszar notes how our current Bretton Woods II system has a deflationary impulse (globalization, open trade, just-in-time supply chains) while Bretton Woods 3 will provide an inflationary impulse (de-globalization, autarky, hoarding of raw materials) of supply chains and extra military spending to be able to protect what will remain of seaborne trade.

The implications are of course overwhelming. What's implicit, ominously, is that this state of affairs may even lead to WWII.

Rublegas or American LNG?

The Russian roundtable Valdai Club has conducted an essential [expert discussion](#) on what we at *The Cradle* have defined as [Rublegas](#) – the real geoeconomic game-changer at the heart of the post-petrodollar era. Alexander Losev, a member of the Russian Council for Foreign and Defense Policy, offered the contours of the Big Picture. But it was up to Alexey Gromov, Chief Energy Director of the Institute of Energy and Finance, to come up with crucial nitty-gritty.

Russia, so far, was selling 155 billion cubic meters of gas to Europe each year. The EU rhetorically promises to get rid of it by 2027, and reduce supply by the end of 2022 by 100 billion cubic meters. Gromov asked “how,” and remarked, “any expert has no answer. Most of Russia's natural gas is shipped over pipelines. This cannot simply be replaced by Liquefied Natural Gas (LNG).”

The risible European answer has been “start saving,” as in “prepare to be worse off” and “reduce the temperature in households.” Gromov noted how, in Russia, “22 to 25 degrees in winter is the norm. Europe is promoting 16 degrees as ‘healthy’, and wearing sweaters at night.”

The EU won't be able to get the gas it needs from Norway or Algeria (which is privileging domestic consumption). Azerbaijan would be able to provide at best 10 billion cubic meters a year, but “that will take 2 or 3 years” to happen.

Gromov stressed how “there's no surplus in the market today for US and Qatar LNG,” and how prices for Asian customers are always higher. The bottom line is that “by the end of 2022, Europe won't be able to significantly reduce” what it buys from Russia: “they might cut by 50 billion cubic meters, maximum.” And prices in the spot market will be higher – at least \$1,300 per cubic meter.

An important development is that “Russia changed the logistical supply chains to Asia already.” That applies for gas and oil as well: “You can impose sanctions if there's a surplus in the market. Now there's a shortage of at least 1.5 million barrels of oil a day. We'll be sending our supplies to Asia – with a discount.” As it stands, Asia is already paying a premium, from 3 to 5 dollars more per barrel of oil.

On oil shipments, Gromov also commented on the key issue of insurance: “Insurance premiums are

higher. Before Ukraine, it was all based on the Free on Board (FOB) system. Now buyers are saying 'we don't want to take the risk of taking your cargo to our ports.' So they are applying the Cost, Insurance and Freight (CIF) system, where the seller has to insure and transport the cargo. That of course impacts revenues."

An absolutely key issue for Russia is how to make the transition to China as its key gas customer. It's all about the Power of Siberia 2, a new 2600-km pipeline originating in the Russian Bovanenkovo and Kharasavey gas fields in Yamal, in northwest Siberia – which will reach full capacity only in 2024. And, first, the interconnector through Mongolia must be built – "we need 3 years to build this pipeline" – so everything will be in place only around 2025.

On the Yamal pipeline, "most of the gas goes to Asia. If the Europeans don't buy anymore we can redirect." And then there's the Arctic LNG 2 project – which is even larger than Yamal: "the first phase should be finished soon, it's 80 percent ready." An extra problem may be posed by the Russian "Unfriendly" in Asia: Japan and South Korea. LNG infrastructure produced in Russia still depends on foreign technologies.

That's what leads Gromov to note that, "the model of mobilization-based economy is not so good." But that's what Russia needs to deal with at least in the short to medium term.

The positives are that the new paradigm will allow "more cooperation within the BRICS (the emerging economies of Brazil, Russia, India, China and South Africa that have been meeting annually since 2009);" the expansion of the International North South Transportation Corridor (INSTC); and more interaction and integration with "Pakistan, India, Afghanistan and Iran."

Only in terms of Iran and Russia, swaps in the Caspian Sea are already in the works, as Iran produces more than it needs, and is set to increase cooperation with Russia in the framework of their strengthened strategic partnership.

Hypersonic geoeconomics

It was up to Chinese energy expert Fu Chengyu to offer a concise explanation of why the EU drive of replacing Russian gas with American LNG is, well, a pipe dream. Essentially the US offer is "too limited and too costly."

Fu Chengyu showed how a lengthy, tricky process depends on four contracts: between the gas developer and the LNG company; between the LNG company and the buyer company; between the LNG buyer and the cargo company (which builds vessels); and between the buyer and the end user.

"Each contract," he pointed out, "takes a long time to finish. Without all these signed contracts, no party will invest – be it investment on infrastructure or gas field development." So actual delivery of American LNG to Europe assumes all these interconnected resources are available – and moving like clockwork.

Fu Chengyu's verdict is stark: this EU obsession on ditching Russian gas will provoke "an impact on global economic growth, and recession. They are pushing their own people – and the world. In the energy sector, we will all be harmed."

It was quite enlightening to juxtapose the coming geoeconomic turbulence – the EU obsession in

bypassing Russian gas and the onset of Rublegas – with the real reasons behind Operation Z in Ukraine, completely obscured by western media and analysts.

A US Deep State old pro, now retired, and quite familiar with the inner workings of the old OSS, the CIA precursor, all the way to the neocon dementia of today, provided some sobering insights:

“The whole Ukraine issue is over hypersonic missiles that can reach Moscow in less than four minutes. The US wants them there, in Poland, Romania, Baltic States, Sweden, Finland. This is in direct violation of the agreements in 1991 that NATO will not expand in Eastern Europe. The US does not have hypersonic missiles now but should – in a year or two. This is an existential threat to Russia. So they had to go into the Ukraine to stop this. Next will be Poland and Romania where launchers have been built in Romania and are being built in Poland.”

From a completely different geopolitical perspective, what’s really telling is that his analysis happens to dovetail with Zoltan Poszar’s geoeconomics: “The US and NATO are totally belligerent. This presents a real danger to Russia. The idea that nuclear war is unthinkable is a myth. If you look at the firebombing of Tokyo against Hiroshima and Nagasaki, more people died in Tokyo than Hiroshima and Nagasaki. These cities were rebuilt. The radiation goes away and life can restart. The difference between firebombing and nuclear bombing is only efficiency. NATO provocations are so extreme, Russia had to place their nuclear missiles on standby alert. This is a gravely serious matter. But the US ignored it.”

by Pepe Escobar

Photo Credit: The Cradle, Washington’s competition with rising power Russia is so fierce, it is willing to sacrifice Europe.

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Date Created

04/10/2022