

UKRAINE & THE LEADERSHIP OF GLOBALISATION

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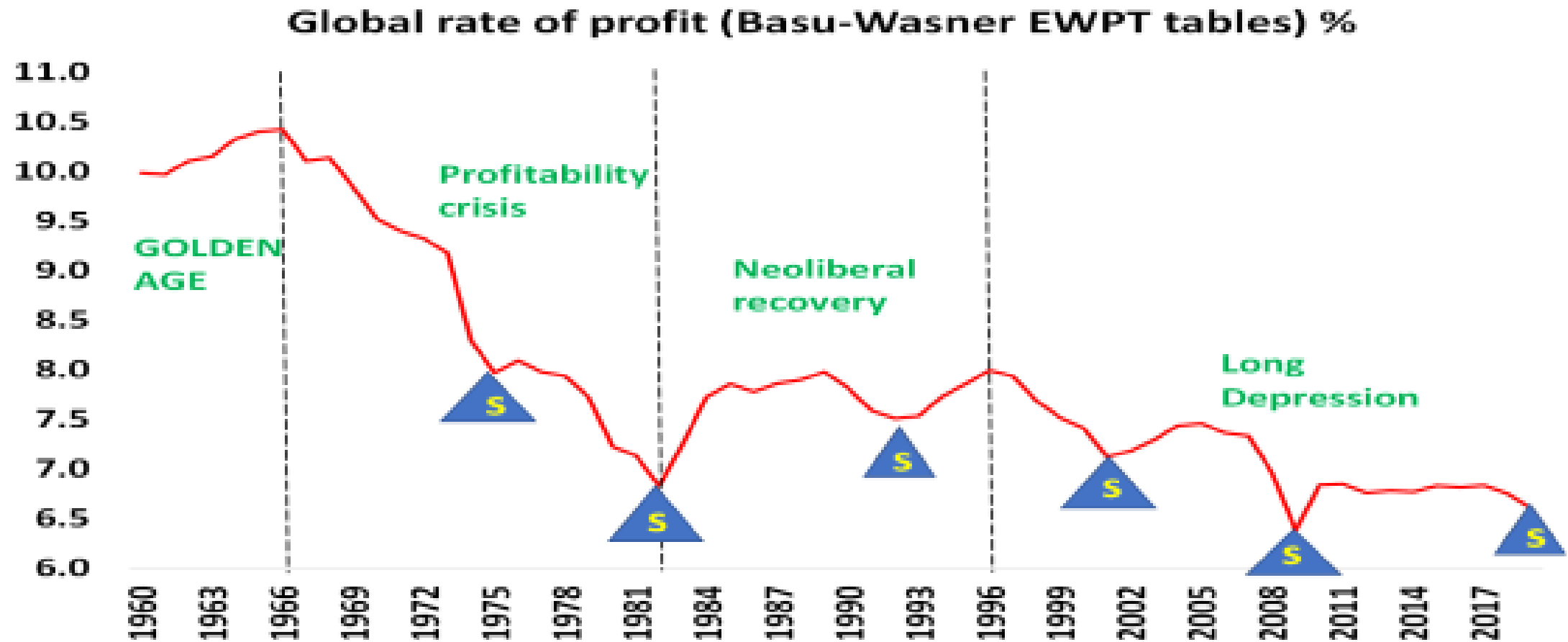
UEL

The argument

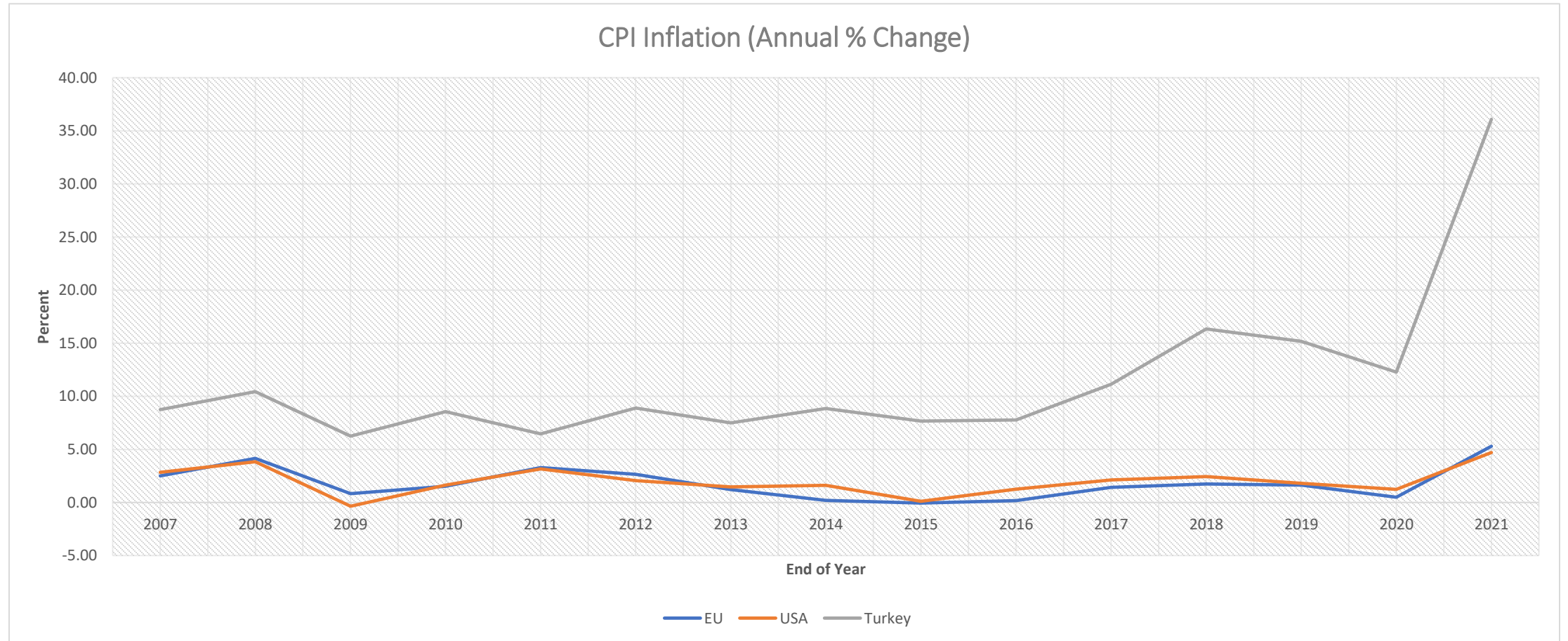
- The present crisis over Ukraine is rooted in the medium-term stagnation of Western economies since 2007 and the inability of the USA to lead in Eurasian affairs and beyond (both economically and geo-politically)
- Ultimately, the Ukraine crisis has unleashed the core elements composing a new global re-distribution of power – namely which state will lead in global supply chains, high-tech, global trade and strategic commodities (e.g. Rare Earth Elements)

RoP = the percentage increase on capital invested. Organic composition of capital rises faster than the rate of exploitation (s-v), then RoP falls.

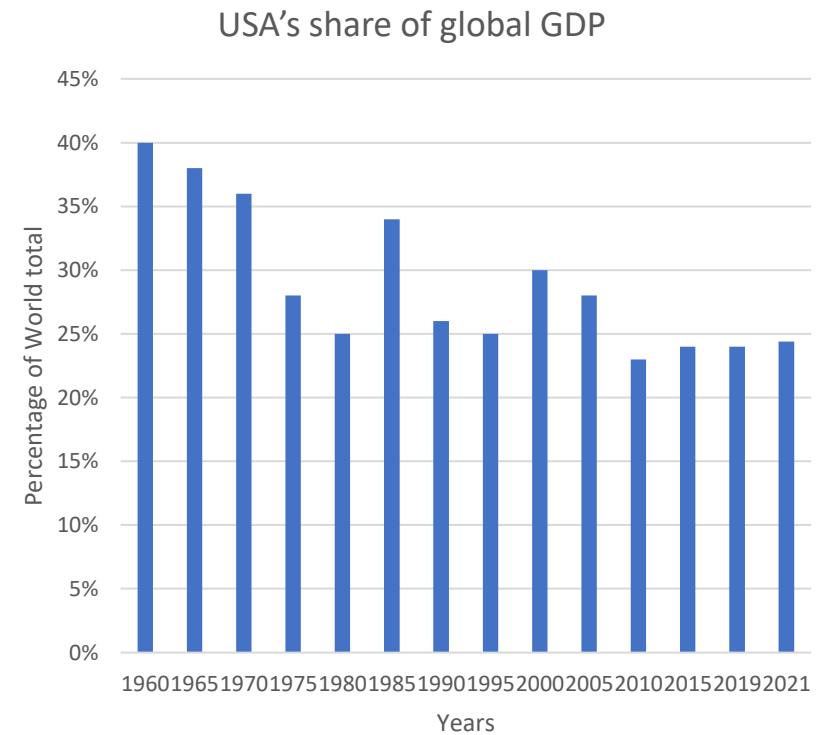
Robert Brenner, Andrew Kliman, Michael Roberts are, broadly speaking, in agreement with the below graph which refers to the G-7. This long-term trend corresponds to the falling GDP growth rate since the stagflation of the 1970s. John Bellamy Foster and other writers of *Monthly Review* talk of permanent stagnation since the 1970s, the capitalist economies never being able to recover. My claim is more modest making as the starting point of stagnation the beginning of the global financial crisis in 2007-08.



Inflation



GDP: China's share increases over time, but the USA's decreases



Wage growth (minus bonuses) & inflation in selected Western countries (Dec 2021-Dec 2022)

	Wage growth	Inflation
USA	6.17%	6.5%
Germany	2.7%	9.6%
Japan	0.5%	3.8%
France	0.9%	6.8%
UK	6.17%	10.5%
EU average	5.2%	11.1%

Real wage growth in Asia (adjusted to inflation) (source: <https://www.eca-international.com/news/october-2022/workers-in-singapore-expected-to-see-higher-salary>)

Country	2023 (forecast) real wage increase (%)	2022 real wage increase (%)
India	4.6	2.1
Vietnam	4.0	3.2
China	3.8	3.7
Cambodia	2.2	0.4
Malaysia	2.2	1.6
Thailand	2.2	-1.8
Taiwan	1.8	0.6
Philippines	1.6	0.2
Hong Kong	1.6	1.6
Macau	1.6	0.9

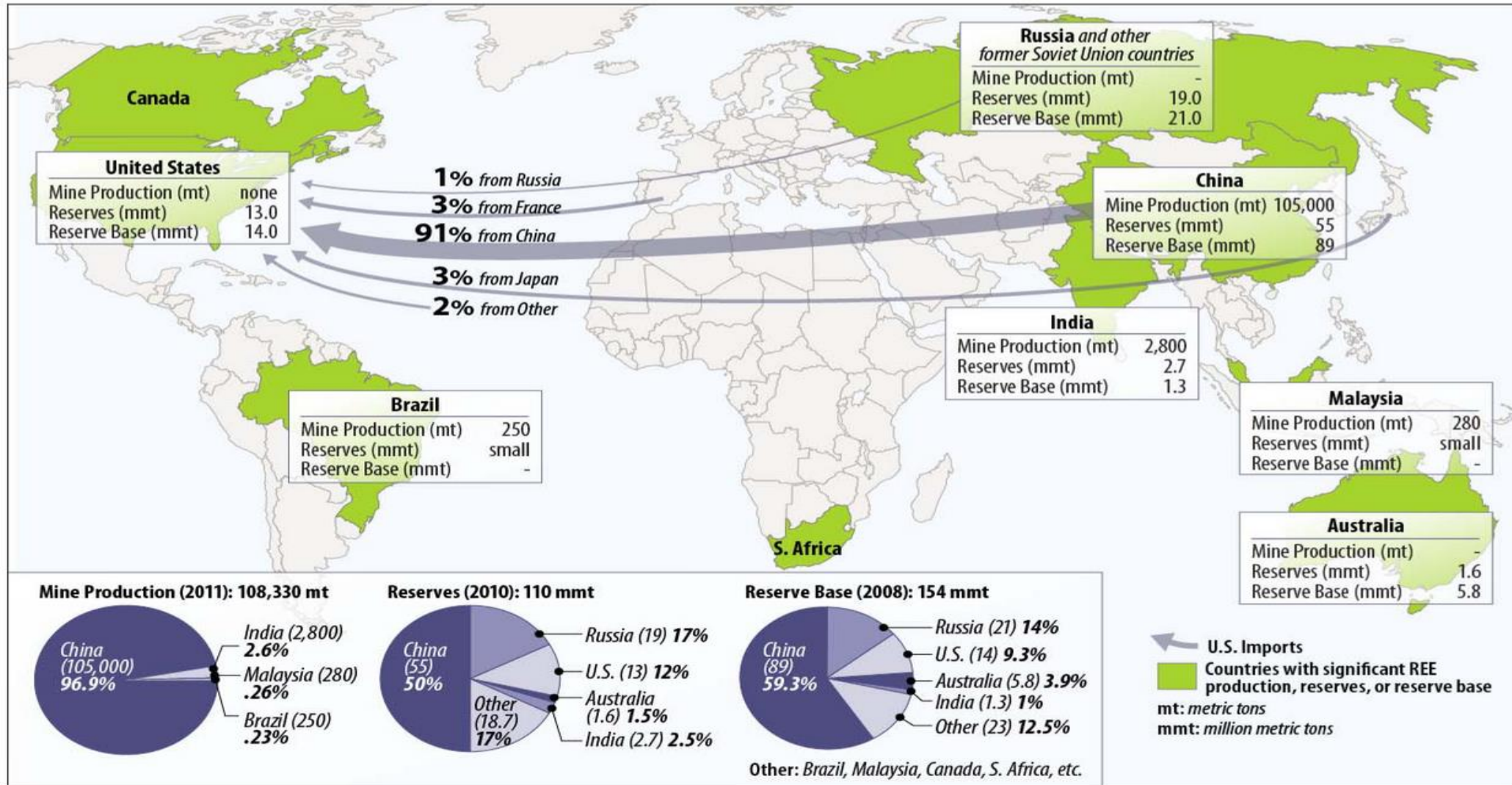
Europe's dependence on Russian gas at 41%



Europe's dependence on Russian oil at 30%



Rare Earth Elements & Minerals



Policy responses

- **War** (Macron: “We must never be one war late. We must be ahead by one war”)
- **Massive increase in defence spending** well above the 2% of GDP (NATO threshold)
- **Semi-protectionist measures** [USA: **Inflation Reduction Act** of \$738bn, which includes subsidies to US energy, manufacturing and transport; **Chips & Science Act** of \$280bn designed to boost domestic micro-chip production bringing semiconductor manufacturing back to the USA]
- [Does this remind you the **Smoot-Hawley tariff law** promulgated in 1930 in the USA well before the advent of Hitler to power?]
- **US LNG export to the EU** substituting Russian gas (a very complicated project)
- **Devastation in European & German industry** caused by US protectionist measures and sanctions on Russia. The example of BASF, the largest integrated chemical complex in the world, downsized and moved to Zhanjiang, China

Concluding comments

- Meyhem in Europe. The Ukraine war damaged the EU far more than any other economy and humiliated Germany as a sovereign country
- From a macro-historical economic perspective, we are in a long downturn in economic activity in the West as a whole (fall in GDP and industrial decline, disruptions in global supply chains, wage stagnation, high taxation regimes, high interest rates, high inflation)
- Interest rates rise is devastating the global South (already two countries have defaulted on their debt obligations)
- The Ukraine war blocked off further Chinese asset acquisition in the EU and Eastern Europe and the Balkans, as well as high-tech trade between China and Western countries
- China and most of Asia are not in recession, let alone in a long downturn
- It results that we are in a long and protracted period of hegemonic transition in which major changes in the global distribution of economic and political power occur, often accompanied by low and high intensity conflicts and even world wars
- The war between NATO and Russia in Ukraine must be seen from this macro-economic and macro-historical perspective and it is a war rooted in the long and protracted stagnation of Western economic activity coupled with the geo-strategic need to contain the rise of China and disrupt its economic expansion