

# The New Great Game

*By Joel Kotkin and Hugo Kruger.*

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The West's ignominious retreat from Afghanistan has emboldened Russia and China to renew the 19th century's 'Great Game' in which the European powers vied with Russia for control of central Asian resources. Ultimately the West may have to choose between the current climate change agenda and the hegemony of the authoritarians.

Russia's invasion of the Ukraine will be remembered as one of the great crimes of the 21st century. The ensuing humanitarian crisis has already caused more than two million refugees to flee their homeland. With the imposition of sanctions, policymakers will have to weigh their political options as a rise in energy prices may trigger food shortages in the coming European fall, and lead to an even worse catastrophe in Africa and other developing countries. Under such circumstances, it's easy to see the current war in Ukraine in Manichean terms. But once the conflict ends or devolves into a guerrilla war, national identity, geopolitics, and economics, not abstract principle, will drive events.

We are returning to something resembling the "Great Game" of the 19th century, which saw Britain and Tsarist Russia struggle over the resources of central Asia, while others in Europe—France, Germany, Belgium—strove to expand their empires into commodity-rich Africa. Following a lull after the collapse of the Soviet Union, the Great Game has now been renewed, with the US and China now occupying critical roles. The humiliating retreat of the US from Afghanistan, a country central to the old Game, has emboldened China and Russia to win the new one. The players have changed and today's Great

Game sets the stage for a new conflict—the “duopoly” of Russia and China, with their associated allies like Iran and Venezuela, against America and the democratic West.

This conflict will not necessarily be military, and while Russia and China are the keystones of the duopoly, they will play distinct roles. Russia remains a highly militarized nation, whose oil- and gas-driven economy provides its government with roughly 40 percent of its revenue. China, on the other hand, has been using Russia’s oil, and that of allied states like Iran, to build the world’s most formidable industrial economy. China has the financial wherewithal to provide the embattled Russian economy with ballast, including an alternative credit card system to replace that of the West.

Excluding Russia from the Western-dominated economy has pushed the two autocratic giants together, and Russia is now getting Chinese funds to finance its crucial resource sector. What makes Russia attractive and even bankable for the Chinese is not ideology, but energy. Despite dreams of global kumbaya, we are closer to parallels with the last world war than many suspect. “Petroleum products,” wrote the American geographer C.F. Jones in 1943, “are the blood of battles that bring victory.” Energy helped set the stage for the current invasion, as Putin’s resources pay for his chosen instruments of terror. Europe, argues human rights activist Garry Kasparov, essentially gave Putin the “green light” to invade. When Russia invaded Ukraine, so did Germany and “the Netherlands, Italy, France, Great Britain,” all of whom have funded Russia’s “war machine for the past decade.” The missiles hitting Kharkov and strafing Kyiv were, after all, paid for by the West.

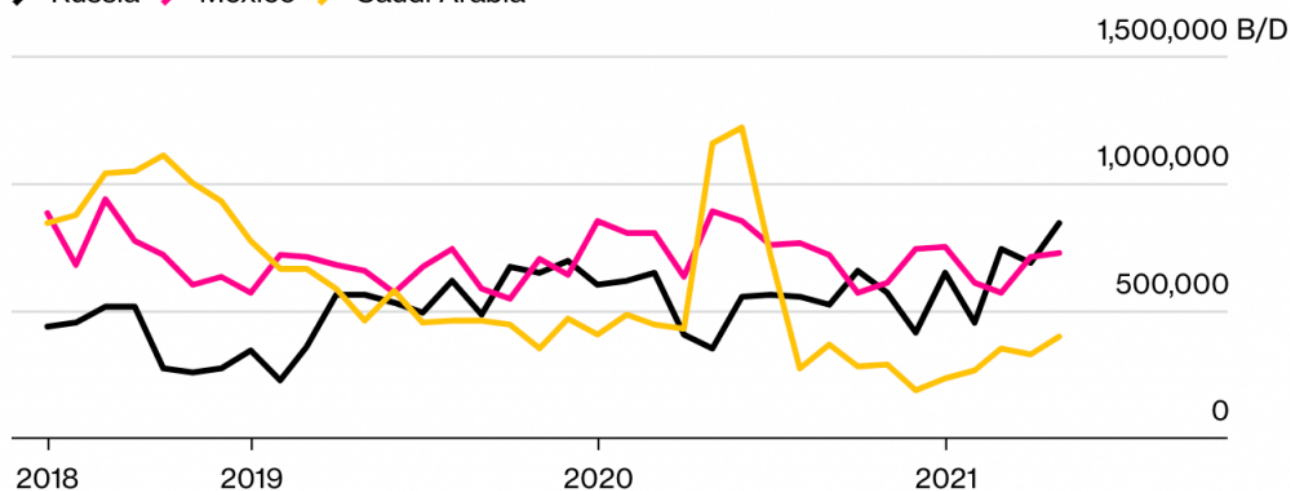
If the West understood how to restrain Putin, it would have immediately banned Russian oil, a decision Biden took only reluctantly and under much pressure. Europe says it will get around to cutting consumption by next winter. So, the United States—a country on the verge of becoming the world’s largest

gas exporter and self-sufficient in oil—has been forced to beg autocracies in Saudi Arabia and UAE and even Venezuela to bail out America’s angry motorist. So far even this indecent kowtowing is being rebuffed. An opportunity to show American strength and European resolve has collapsed under the weight of energy realities.

## Russia Connection

Russia overtakes Mexico as second-largest oil exporter to the U.S.

— Russia — Mexico — Saudi Arabia



Energy Information Administration

NOTE: Most recent data available through May; Canada is largest importer. Data includes crude and refined products

Chart by Bloomberg

Tragically, the injuries caused by vulnerability to Russian energy exports are largely self-inflicted—the result of a fantastical approach to reducing carbon emissions. The attempt to force “net zero” emissions on a tight deadline, and to do so absent development of the natural gas and nuclear production needed to make the transition without devastating economic consequences, certainly contributed to Russia’s vast cash buildup prior to the war. The West, including the oil- and gas-rich United States, has looked to Russia as a source of temporary supply in pursuit of the nirvana of fossil-fuel-free existence.

A ruthless dictator like Putin knows a bunch of “useful idiots” when he sees them. Russian interests have reportedly

financed anti-fracking activities for years. But he doesn't need to use surreptitious methods when Western powers have demonstrated such a remarkable lack of seriousness. As Mike Shellenberger has put it: "While we banned plastic straws, Russia drilled and doubled nuclear energy production." Putin, Shellenberger argues, understands his national interest: Russia produces three times as much oil as it can use domestically and twice the amount of gas or coal it needs. It supplies about 20 percent of Europe's oil, 40 percent of its gas, and 20 percent of its coal. The most critical case may be Germany, Europe's dominant economy, whose ballyhooed *Energiewende* sought to abandon nuclear power and coal at the same time. Not only has the cost of living in Germany gone up, but the country has increased its dependence on Russian gas.

It's not just green activists and politicians driving the current energy disaster. ESG stakeholder capitalism has created a lack of investment in fossil fuels, even as soaring demand for "rare earths" looks set to create a series of environmental disasters. In 2022, gas storage in Europe has fallen to a dangerous level below 50 percent capacity and the standoff with Russia has caused European gas prices to spike. Even if American LNG gas replaces Russian supply, the changeover will take months. In this sense, we are repeating history as a sad farce. As in the 1930s, Western appeasers have held the door open for Russian expansionism. A deluded West failed to take steps to contain Russia following the 2014 Crimean annexation, instead cutting back on lethal weapons for Ukraine and refusing to sanction the Nordstream 2 pipeline, and Putin responded to the perception of weakness as bullies always do.

Putin is not alone in following the Westphalian energy model, which prioritizes national sovereignty over the demands of global capital or international institutions. China also benefits from the rapid de-carbonizing of the West, pumping

money into Western green funds, despite its own continuing heavy coal investment at home. The Chinese know that, for at least the medium-term, fossil fuels will remain critical to their economic growth. After all, fossil fuels still account for 81 percent of all energy supplies, and even if every country meets its respective climate promises, they will still account for roughly three-quarters in 2040.

Russia is already China's second largest source of oil (after Saudi Arabia), and has just signed a 30-year deal for massive new Russian gas pipelines, and purchased other commodities like coal, barley, and wheat from them. China now accounts for 18.6 percent of Russia's exports. Buying oil and gas and burning coal is fine in a country that does not care about the scolding of environmentalists and that has no plans to reduce its emissions until 2030. Developing countries like India have even longer timelines. India is likely to emerge as the third world power after China and the United States, and it also depends on Russia for 49 percent of its armaments.

The West's green agenda—which objects to nuclear and natural gas as well as dirtier fuels—tilts the competitive edge to China. Even before the invasion of Ukraine, the unreliable and expensive reality of “renewable” energy was already accelerating the de-industrialization of the United Kingdom and other parts of the EU. The current energy shortage is causing factories in Europe to close, and short of a concerted attempt to revive manufacturing, high energy prices are likely to hasten the shift to less regulated places like India and China, which are by far the world's largest emitters of carbon dioxide. By the time China, India, and other developing countries feel able to embrace lower emissions by turning to nuclear power, the self-driven de-industrialization of the West will likely be all but complete, with even once-great industrial powers permanently ensnared in China's notoriously high-carbon supply chains.

Like Russia, China can thank the ESG movement for all this,

led by the likes of financial firms like Blackrock, which insist that developments meet their “net zero” obsessions. Wall Street’s dual standards represent an effective embrace of China’s hegemony by hamstringing Western industry while expanding business with the world’s dominant polluter and autocracy *par excellence*. So far, more palatable options—increasing remote work, geothermal energy, production of natural gas, nuclear power, and new technologies—are not on the woke corporate agenda.

Government mandates on things like electric cars essentially hand China a dominant position in the future of ground transportation. China also retains a near-monopoly on the EV battery supply chain, which includes control of 80 percent of the world’s raw material refining, 77 percent of the world’s cell capacity, and 60 percent of the world’s component manufacturing. China produces four times more batteries than the second-place United States, and controls critical raw materials, including large concentrations of rare earths, lithium, copper, and cobalt. The United States actually possesses some of these minerals, but environmental opposition makes it unlikely they will be developed, at least during the Biden years. China and Russia have moved rapidly to secure those they happen to possess but others can be procured from emerging vassal states in Africa and Central Asia as well as Latin America.

All this supports China’s stated aim of dominating the supply chains and becoming the leading global superpower by 2050—a frightening prospect but one at least more coherent than Western governments’ vague dreams of “building back better” or of an anti-growth “reset.” An industrial revival in the West will be difficult without reliable energy like natural gas and nuclear—unreliable alternatives like solar and wind have to be backed by other sources when the sun does not shine and the wind does not blow.

So, what will the world look like after the invasion—not

tomorrow but in the decade ahead? The past is certainly instructive. The axioms of the neoliberal order are rapidly being replaced by something closer to the law of the jungle. In this world, increasingly naked self-interest will prevail over moral agendas. Europe and America may call this a war for democracy, but the world's largest democracy, India, has been circumspect on the issue, and Israel, which needs Russia to control its unruly neighbor Syria, has been reluctant to join the anti-Putin cause.

Just as revealing is that many African countries which are highly dependent on China have failed to join the condemnation of the invasion. Whether somewhat democratic or mostly despotic, they are unlikely to give up what the duopoly offers them in terms of resources, financial power, or goods for the sake of being right. High gas prices are already crippling economies across sub-Saharan Africa. Food is also a major concern for developing countries, and Russia plays a big role here as well, producing roughly a fifth of the world's wheat exports. Unsurprisingly, Africa was split by the UN resolution condemning Russian aggression—Senegal, South Africa, and Namibia abstained, while traditional US trading partners like Botswana, Kenya, and Nigeria voted in favor.

Even if Putin's gambit fails under the current sanctions regime, the duopoly's emergence seems likely to strengthen in coming years. China (and, to some extent, India) is beginning to construct a new financial system, independent of Western control. Although such a move faces serious problems, experts suggest that it could help China survive a similar economic assault if—or more likely *when*—China moves to absorb Taiwan, following its repressions in Xinjiang and Hong Kong. This is what many Taiwanese fear. A Chinese takeover of the highly entrepreneurial island would hand them control of the most vital hub of the semiconductor industry, another asset in their bid to control the economic, and thus the political, future.

For the West, this is a critical time. One can celebrate European solidarity, including on the traditionally pacifist Left, against Putin. Germany's move to finally boost its defense spending, and shift its energy policy away from Russian dependence certainly marks a welcome starting point. This includes the gambit of reclassifying nuclear and natural gas as "green fuels." But such progress could be limited. As we saw after the Crimean invasion in 2014, European will tends to be fragile when it comes to self-interest, and the push to "net zero," although perhaps temporarily delayed by the invasion, is so dear to the hearts of Western progressives and their corporate allies that it will likely resurface as soon as the war reaches its endgame.

It would certainly help if the Western defense establishment were to refocus on the challenges posed by the duopoly. Sadly, if a bizarre tweet by the head of MI6 is any indication, much of it remains preoccupied by green absolutism and gay rights. Militaries in the US and Europe worry about fighting climate change and rooting out white nationalism, when their time would be better spent improving their dubious war-fighting abilities. China, meanwhile, is building the world's largest naval fleet—not to be a "force for good," as the Obama-era Navy crowed, but to extend its influence in the eastern Pacific, and then to Africa and beyond.

Sadly, it's difficult to identify Western leaders who might provide the liberal democratic world with some backbone. There is no one who resembles Churchill, Roosevelt, Truman, or even Reagan. The chaotic Trump presidency is gone, replaced by a bland and weak-looking Biden, who even the *Guardian* thinks may be compromised by his family's connections. The reaction of Biden's climate tsar John Kerry to the Russian invasion was classic: he was concerned, he said, by its "massive emissions consequences." Maybe he didn't consider the reductions from weak economic growth and the deaths of thousands of emissions-producing soldiers and civilians.



Ultimately, the West may have to choose between the current climate agenda and the hegemony of the authoritarians. The best hope now is that Putin's aggression will cause the West to wake up, reindustrialize, and find a workable energy policy. We need robust policies, and political leaders who can play chess with Xi or Putin, or whoever the next ruler of the Russian state will be. The autocrats are already playing the Great Game and if we don't learn to play as well, we will lose.

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