



A Perfect Storm in Eurasia

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July 2020

Executive Summary

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* The perfect storm compels the expedited realization of mega-trends long recognized to be inevitable. The gravity of the concurrent global crises - mainly Europe's economic catastrophe and China's face-off with the US - demands quick and drastic measures. Toward this end, the emerging tripartite alignment of China, Russia and the Germany-led Europe will keep evolving into a viable entity. The three members need each other, and are dependent on each other, far more than before. China and Russia are ready to move fast. The Germany-led EU is cognizant of the urgent imperative to change course and make headway. But will the Europeans muster the resolve to act decisively before it is too late?

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Analysis

There is a perfect storm spreading in the Eastern Hemisphere. The outcome will expedite and energize the consolidation of a Eurasian Bloc around China, Russia and the Germany-led EU. There is no precise chronology of the build-up of the storm because events happened almost simultaneously in the second half of last week, as of 15 July. Senior officials from China, Russia, Germany and the EU agree that the process unleashed is irreversible.

The otherwise latent anti-American sentiments of the emerging bloc bursts into the open as the outcome of the summit meetings in Paris of a delegation led by US National Security Adviser Robert O'Brien with his counterparts from the UK, France, Germany and Italy. According to European participants, O'Brien's declared objective was "to hasten the destruction of Huawei and China" irrespective of the ramifications and costs to the Europeans.

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In retrospect, the starting point of the still ongoing phase was the 15 July phone conversation between Angela Merkel and Vladimir Putin. They sought to coordinate key positions on the eve of the EU leaders' summit. They also discussed "a number of pressing issues" on the global scene. Their key decision was to expedite the advance toward consolidating "strategic relations" between Russia and the EU. Europe is turning eastward, and the pace will accelerate in the near future, Merkel observed. Hence, Germany's EC Presidency over the next six months will constitute a major milestone in the process. Merkel and Putin agreed on the imperative to have China integrated into the emerging Eurasian strategic framework Berlin and Moscow intend to pursue.

Merkel and Putin also discussed the challenges of the US interference with the timely completion of the Nord Stream 2 gas pipeline. They both strongly denounced the US sanctions and threats. Merkel and Putin also surveyed the situation in a host of crisis spots around the world, mainly on the edges of Europe, and assessed the prospects for conflicts' resolution and the impact of US sanctions and interventions. Their discussion about the situation in and around Iran evolved from a harsh criticism of the US sanctions against Iran, to a general agreement on US policies. Merkel and Putin agreed that "mounting pressure ... via sanctions was pointless," and that Russia and the Germany-led EU will work hard to ameliorate and reverse the impact of the US relentless campaigns of pressure and sanctions worldwide.

Subsequent communications between senior Russian officials and their European counterparts harshly criticized the latest threats by Mike Pompeo concerning the Nord Stream 2, as well the threats issued by O'Brien to the national security chiefs of France, Germany and Italy during their Paris meetings. The position of the European senior officials involved is that the US has recently crossed a threshold of alienating the European allies. The European seniors who met with O'Brien agree that the EU should not follow the US demands regarding Huawei or China as a whole. For the EU, the US overplayed its hand and lost.

In his conversation with Merkel, Putin's overall approach to the future of Eurasia was strongly influenced by the long phone conversation he had with Xi Jinping a week beforehand - on 8 July. What was then supposed to be a routine coordination between the two leaders would ultimately have greater influence on the currently unfolding perfect storm. Putin and Xi Jinping agreed that "China-Russia ties are the cornerstone of global strategic stability," and that both their countries would continue working together to reinforce and expedite this crucial trend. They also agreed that "China and Russia should stand firmly together against hegemony and unilateralism" - that is, the United States. Putin assured Xi Jinping that Russia would help China "thwart the US



policy of ‘containment of China’,” and particularly the US relentless efforts “to materialize it by asking its allies to jump on the US bandwagon of ‘trade war’.”

At the same time, at the recommendation of Xi Jinping, both leaders decided on a prudent approach toward the US, and on ignoring American provocations. They agreed that the overall US anti-China onslaught will not subside before 2024 at the earliest irrespective of who wins the 2020 presidential elections. Hence, Putin and Xi Jinping concluded, both countries need to persevere and plan for a long confrontation in order to minimize the likelihood of uncontrolled escalation emanating from US provocations, sanctions and pressure.

However, on 17 July, the Forbidden City had a change of heart. It was the aggregate impact of the US threat to deny visas to all CCP members, the US incessant pressure on the eve of the Huawei crisis in London, the repeated and escalating US military provocations in the South China Sea and Taiwan, and the flagrant anti-China character of the O’Brien meetings in Paris. Beijing felt humiliated by Washington’s attitude. The Forbidden City gave up on the idea of reasoning and negotiating with the US anytime soon - be it on trade or political issues.

The Forbidden City immediately up-dated the Kremlin about this profound change. Wang Yi had a long phone conversation with Sergey Lavrov about these changes. The usually taciturn Wang Yi was candid and bitter about the US. “The US has bluntly pursued its ‘America first’ policy, pushing egoism, unilateralism and bullying to the limit, and that’s not what a great power should be about,” Wang Yi told Lavrov. “The US, which has ... resorted to extreme measures and even created hotspots and confrontations in international relationships, has lost its mind, morals and credibility,” he elaborated. The recent US positions and undertakings “breach the bottom line and basic norms of international laws and international relationships.” Therefore, “China will never let a small group of anti-China forces take the lead but will firmly defend its reasonable interests and dignity.” The Forbidden City is now convinced, Wang Yi concluded, that a new cold war with, and decoupling from, the US are inevitable. At the same time, China remains determined to avoid unnecessary crises and eruptions. Lavrov agreed with Wang Yi’s analysis of the US policies and threats. The long conversation that followed focused on identifying practical modalities for jointly withstanding the US onslaught and ultimately prevailing. The crux of the Chinese approach is to separate between the confrontation with the US; and an outreach to, and close cooperation with, virtually all other countries of the world. Still, both Wang Yi and Lavrov are very grim about the near future.

Moscow quickly up-dated Berlin about the major developments in Beijing. This would have a major impact on the EU leaders’ summit of mid-July.

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The EU leaders’ summit was originally planned for 17-18 July, but then extended to 20 July due to lack of progress and deadlocks.

The main objective of the summit was to agree on the sources, and the modalities of spending, of the funds required for both the recovery of Europe from the Corona Virus crisis and the putting of Europe on the right path to addressing future challenges (modernization, climate, environment, etc.). The European leaders quickly found themselves deadlocked on the sources and magnitude of European funding. Significantly, even if the EU’s maximum plan was adopted, the sums mentioned would still be a fraction of what is actually needed urgently for the recovery of the EU. By 18 July, there was no agreement on any economic recovery plan. Even a general deal on EU funds remained elusive. The profound deadlock was also on how to approach the challenges facing the EU - let alone solve them.



On 19 July, it was not clear at all that the summit would reach an agreement. In the afternoon, the summit was on the verge of collapse without a deal. Merkel warned of “summit failure” and of a mounting acrimony between EU leaders that “might not easily be overcome.” Macron urged EU leaders to “take responsibility” before it was too late. Several leaders warned that both the summit and the EU might have reached their “make-or-break moment” as the hope of European integration was collapsing in the face of unprecedented health and economic crises. The widespread blaming of the “Frugal Five” allies for the deadlock provided an easy excuse to not thoroughly investigating thorny core issues of the entire EU. “Europe is being blackmailed,” warned Giuseppe Conte. By nightfall, there was no sign of a breakthrough. “I still can’t say whether a solution will be found,” Merkel admitted.

In the corridors in Brussels, senior officials discuss alternate sources to funds, resources and markets. There is common acceptance that there are no sources for cheap and clean energy other than Russia. Similarly, it is commonly accepted that there are no sources of investment and technologies other than China. China is also recognized as the primary export market of both Germany and the EU - a market that cannot be replaced. Relations and cooperation with both China and Russia became major undeclared items on the summit’s agenda. In principle, the EU accepted Merkel’s position regarding both Russia and China. Heiko Maas noted that the EU would now “prepare for a resumption of dialogue on strategic relations with Russia.” Regarding China, he warned that in the rush to address such thorny issues as Hong Kong, the EU must not lose sight of the primary core interests of Europe - namely, trade, technology and investments.

Anti-American sentiments peaked in the aftermath of Donald Trump’s 14 July anti-EU rant. This only added to the institutional anti-US resolve of both Berlin and Brussels. In his comments at the summit, Josep Borrell launched an attack on US sanctions policies on all issues, all over the world, and not just concerning the EU. He did focus on the dire impact that these sanctions have on European economies and on the US unwillingness to take any European interests into consideration. Borrell stated that the EU was “deeply concerned at the growing use of sanctions, or the threat of sanctions, by the United States against European companies and interests.” This is now a core issue for the EU. “As a matter of principle, the European Union opposes the use of sanctions by third countries on European companies carrying out legitimate business,” Borrell explained. “Moreover, [the EU] considers the extraterritorial application of sanctions to be contrary to international law. European policies should be determined here in Europe, not by third countries.” Borrell sharply criticized Washington’s refusal to discuss policies and sanctions with Brussels. “Where policy differences exist, the European Union is always open to dialogue. But this cannot take place against the threat of sanctions,” Borrell stressed. Simply put, the EU is ready to start disregarding US sanctions, threats and diktats.

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European leaders are increasingly cognizant that they will not be able to save their countries and the EU from the great recession on their own; and that the US, Europe’s ally and master for the last century, has no intention or capacity to help Europe. The Brussels summit served to reinforce the gravity of the unfolding crisis and the paucity of European solutions and resources. Hence, European gazes are shifting eastward toward China - the only great power ready, capable and willing to help save Europe.

Beijing, however, is focused on reforming post-COVID-19 China in order to address both domestic challenges and the rapidly escalating conflict with the US. Beijing’s top priority is to thoroughly improve both Chinese economy and society - from poverty alleviation to enhancing consumption, to quickly reaching self-sufficiency in all vital sectors such as hi-tech and food production. China needs stability and quiet. Beijing doesn’t want



escalation even though China has given up on reconciliation with the US in the near term. China wants to avoid a new cold war and decoupling, but is preparing the national infrastructure, defense establishment and the entire industrial base for that eventuality. China is ready to contribute to the common good of all would-be friends and partners. Beijing is exercising restraint - but it remains to be seen for how long and at what price. And, above all, Beijing remains committed to gradually moving to leadership position until the realization of the historic ascent of China to global preeminence comes 2049.

China has a lot to offer Europe. The combination of Chinese technology, investment, markets and international cooperation can indeed reverse the decline of Europe and put it on the right track. In recent weeks, China has offered the EU close cooperation and coordination at the macro-economic level that will help pull the entire world, with priority given to the Eastern Hemisphere, from the post-COVID-19 unprecedented morass. China agreed to the EU's request to expedite the signing of bilateral trade agreements, and the first significant bilateral trade agreement was signed on 20 July. Beijing is proposing a myriad of mega-programs that appeal to Brussels - from accelerated implementation of the Fourth Industrial Revolution starting with the digitalization of European communications, to expediting the "de-Dollarization" process while using a basket based on the Yuan and the Euro - long an EU objective.

However, in order to benefit from the largesse and expertise of China, Europe will have to amend policies to meet the Chinese expectations. Europe will have to participate in the consolidation of the Eurasian sphere, to understand and cope with the Chinese proclivities, and to avoid needlessly irritating China with provocations such as the treatment of Huawei. China does not aspire to dominate Europe the way the US has been doing - only to get preferential treatment in return for all the Chinese contributions. China recognizes the existence of "ideological" or "systemic" differences with Europe, but is convinced that they can be bridged through flexibility and pragmatism. Ultimately, China is eager to be forthcoming, generous and reasonable because this will expedite the ascent of China and minimize friction in the process. But China is also expecting sincere reciprocity from Europe.

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The perfect storm of the last few days compels the leaders of great powers of the Eastern Hemisphere to expedite the realization of mega-trends they have long recognized to be inevitable. The gravity of the concurrent global crises - mainly Europe's economic catastrophe and China's face-off with the US - demands quick and drastic measures. Toward this end, the emerging tripartite alignment of China, Russia and the Germany-led Europe will keep evolving into a viable entity. The three members need each other, and are dependent on each other, far more than before. China and Russia are ready to move fast. The Germany-led Europe is cognizant of the urgent imperative to change course and make headway. But will the Europeans muster the resolve to act decisively before it is too late?

Remarks: Opinions expressed in this contribution are those of the author.



About the Author of this Issue

Yossef Bodansky has been the Director of Research at the International Strategic Studies Association [ISSA], as well as a Senior Editor for the *Defense & Foreign Affairs* group of publications, since 1983. He was the Director of the Congressional Task Force on Terrorism and Unconventional Warfare at the U.S. House of Representatives between 1988 and 2004, and stayed on as a special adviser to Congress till January 2009. In the mid-1980s, he acted as a senior consultant for the U.S. Department of Defense and the Department of State.

He is the author of eleven books – including *Bin Laden: The Man Who Declared War on America* (*New York Times* No. 1 Bestseller & *Washington Post* No. 1 Bestseller), *The Secret History of the Iraq War* (*New York Times* Bestseller & *Foreign Affairs Magazine* Bestseller), and *Chechen Jihad: Al Qaeda's Training Ground and the Next Wave of Terror* – and hundreds of articles, book chapters and Congressional reports.

Mr Bodansky is a Director at the Prague Society for International Cooperation, and serves on the Board of the Global Panel Foundation and several other institutions worldwide.



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