



THE WAR IN UKRAINE

From *Blitzkrieg* to war of attrition

And more about China's balancing act









What military strategy dictates...

Strategy: the pursuit of goals

A key notion: to concentrate one's forces over a breaking point with the purpose of winning a decisive victory







The Russian "steam roller"

An enduring myth

The *Russian steam roller* gave comfort to the French prior to 1914 BUT

Failed to materialize during WW1











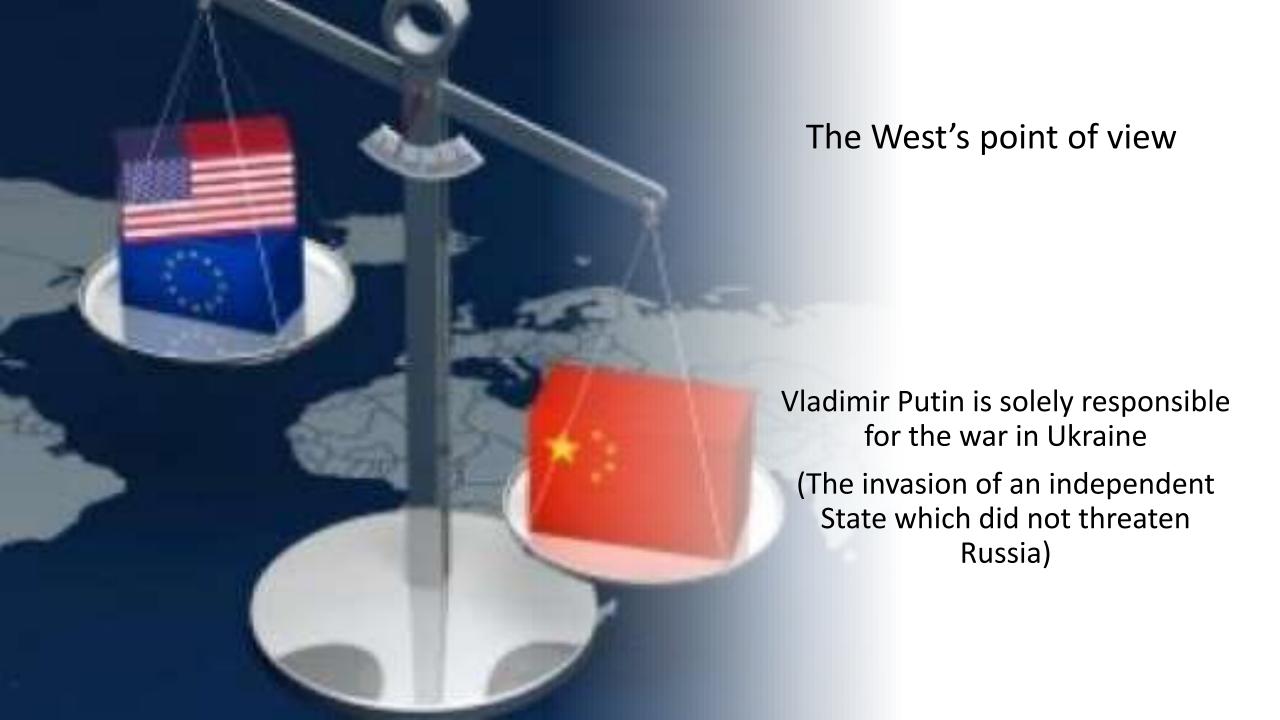


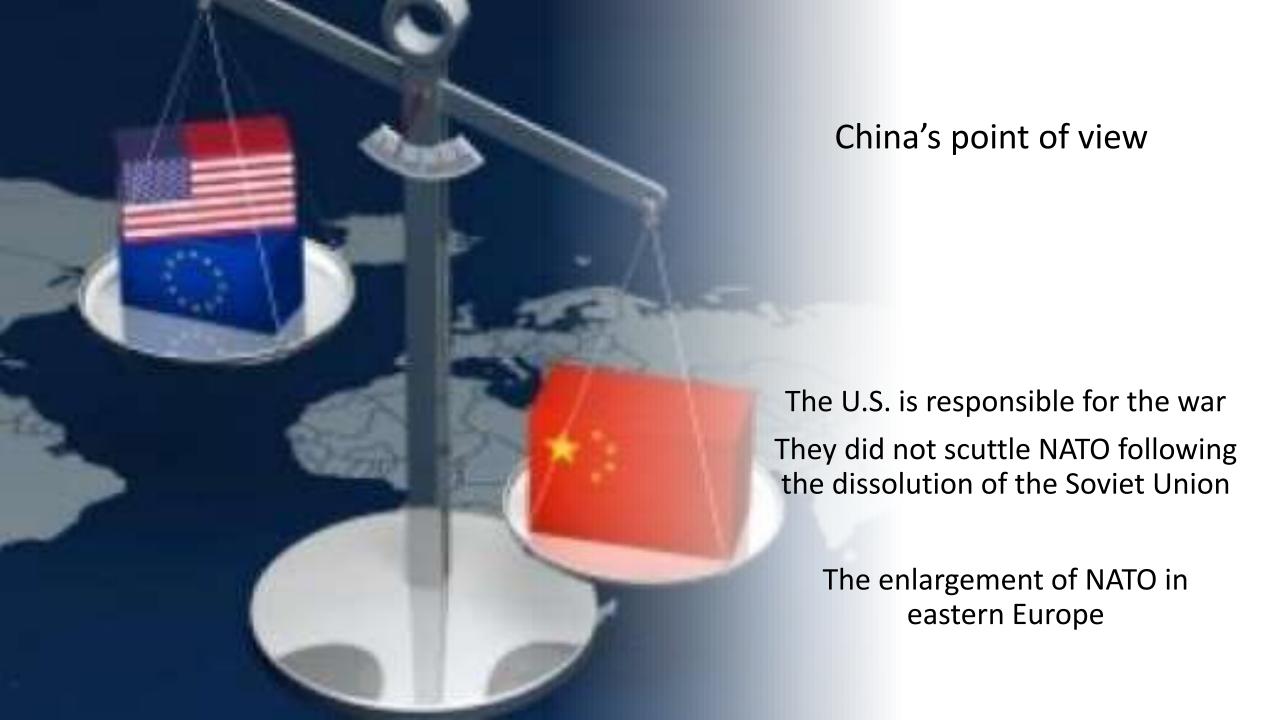
How long can Ukraine hold?

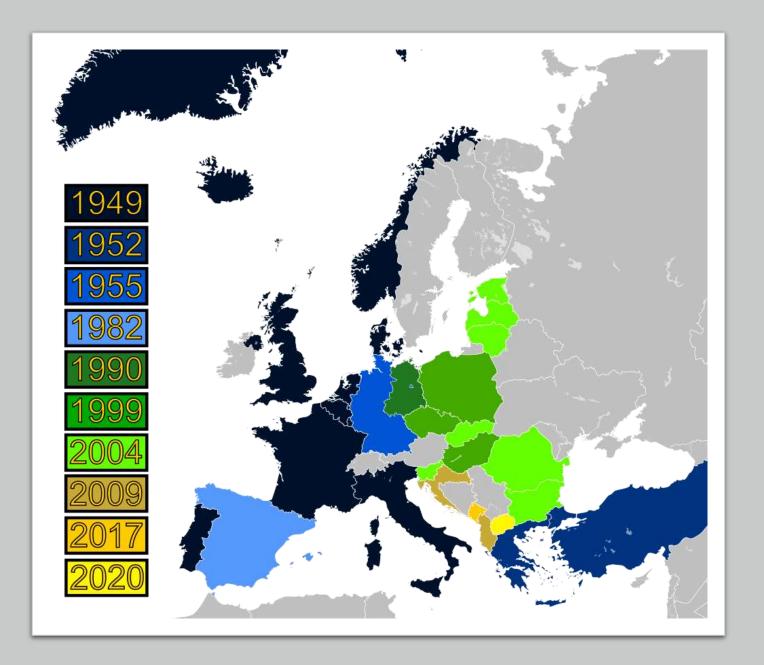
Several months?
Urban guerilla

Russian army: stalemate or operational pause?





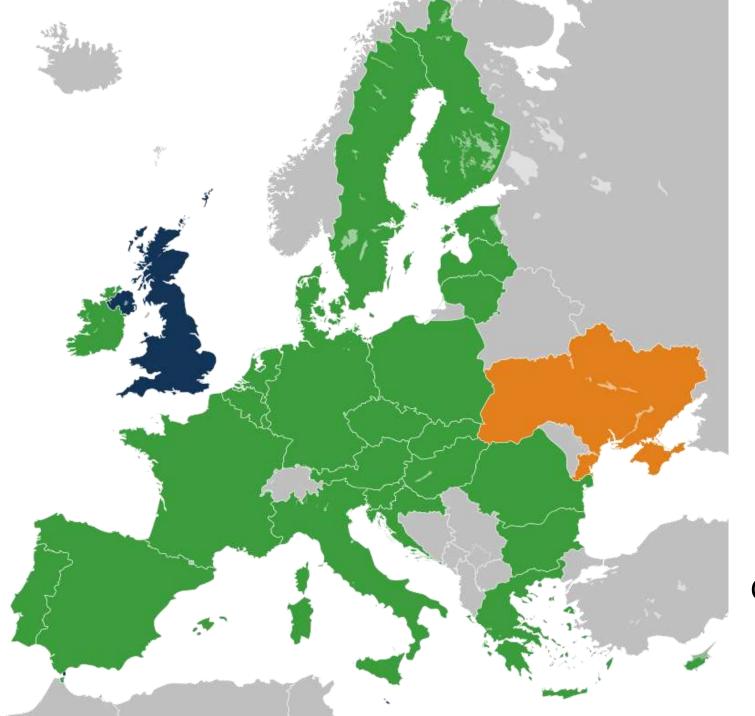




The West

Ukraine is a sovereign nation and has the right to join the EU and NATO



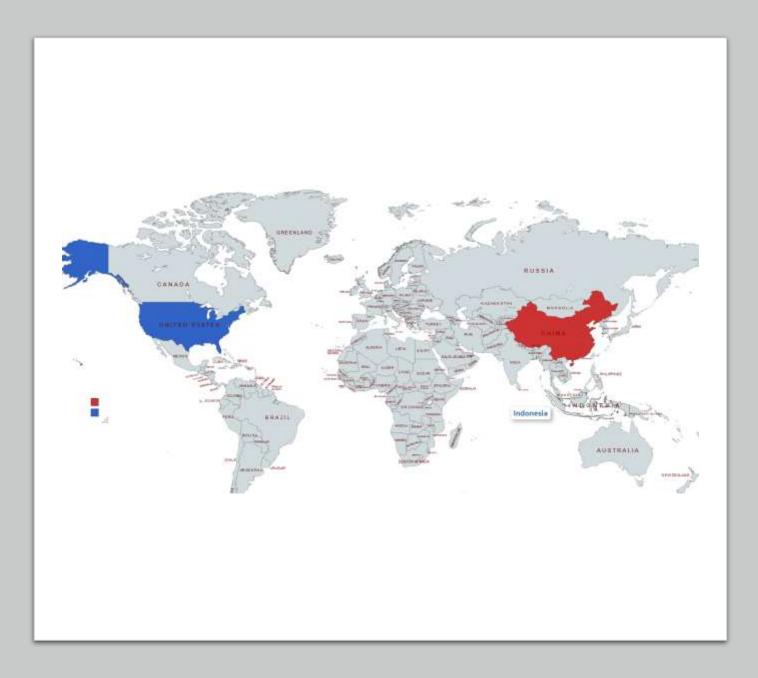


The EU: the awakening

A military intervention at its doorstep launched by a nuclear power (permanent member of the UN Security Council): a transformed EU

Massive sanctions against Russia + military aid to Ukraine

China: sanctions to backfire + Europe's greater dependency towards the U.S.



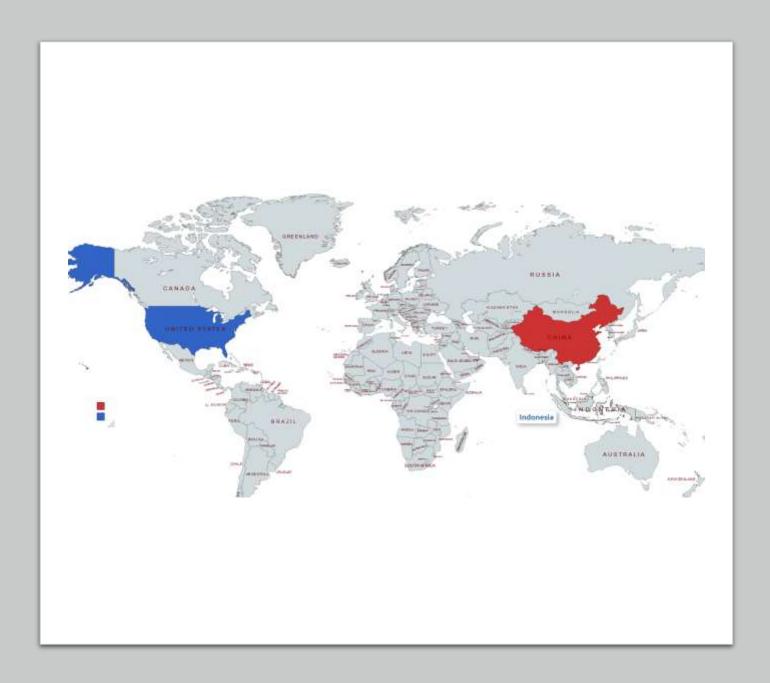
The West

Whatever its outcome, Putin has lost the war in Ukraine

Russia isolated on the global stage

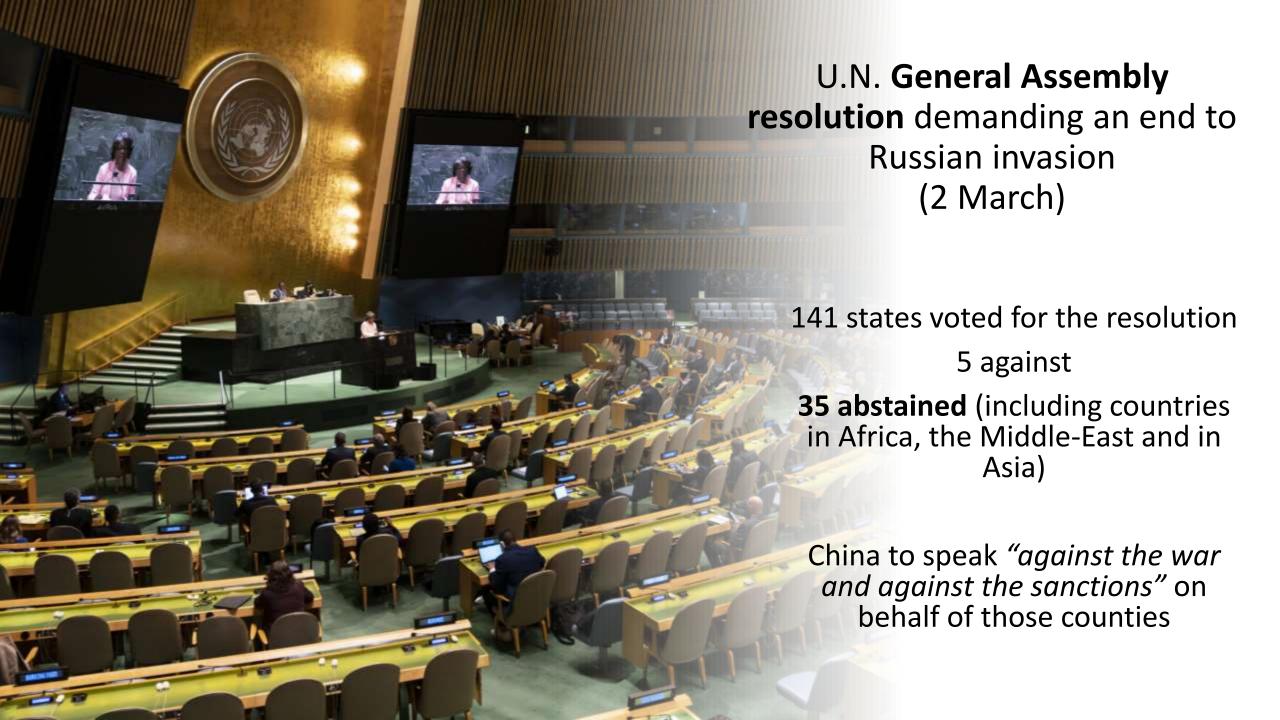
China has nothing to gain in supporting Russia





China

Russia far from losing the war Russia far from being isolated





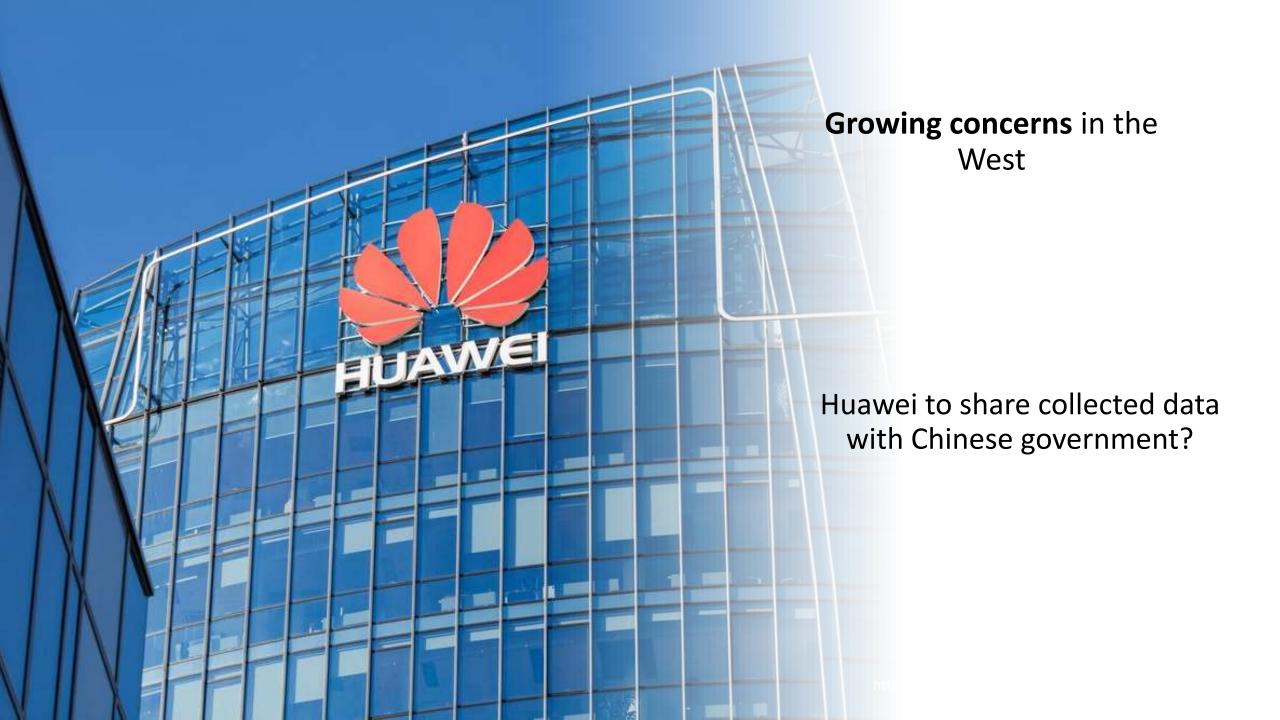














Ren Zhengfei: founder & CEO of Huawei

Former **Deputy Director** of the People's Liberation Army's Engineering Corps





Mao Zedong's old slogan

"Regeneration through one's own efforts": a priority for the CCP

Xi Jinping in 2018: "safe economic growth" based on technological and food **self-sufficiency**



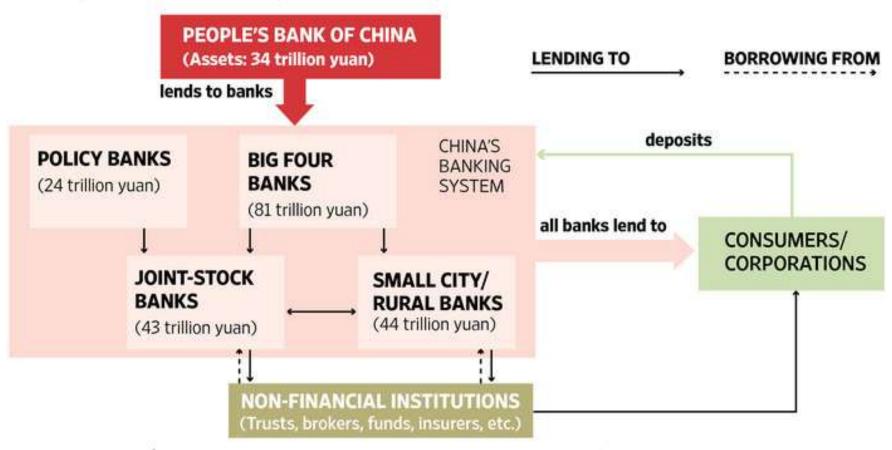
China's financial markets

China's **financial system** built like a pyramid

At the top: China's central bank
5 large commercial banks (80% of banking sector's assets)
regional banks

How Money Flows Through China's Financial System

The complexity of financial linkages in China is rising.



Note: 10 trillion yuan = \$1.455 trillion. Assets as of Dec. 2016 (PBOC, policy banks), 3Q 2016 (big four and joint-stock banks), 2Q 2016 (small city/rural banks)

Source: Deutsche Bank



China's financial markets

In case of a financial crisis or international sanctions:

China's central bank can easily order Chinese banks to distribute liquidities wherever it is needed

2008: China's banks injected 4 000 billion yuans (\$US500 billion) in its economy



China's **capital control** policies

Measures taken to regulate the flow of international capitals in and out of a country

China depends very little on the international markets to finance itself

Chinese debt mostly held by Chinese







The Society for Worldwide Interbank Financial Telecommunication (SWIFT)

Messaging network used by banks and other financial institutions to quickly, accurately, and securely send and receive information, such as money transfer instructions

China's system: **Cross-Border Interbank Payment System** (CIPS) created in 2015
NO match for SWIFT

A simple truth about China today: China has become an industrial & technology powerhouse

From "the World's Factory" to a world leader in engineering

China has cleverly **reinvested** its gains associated with low-cost products into **high-end products**

China is now able **to compete** with U.S. & European high-end products







- To penetrate **new markets**
- To secure access to natural resources (prerequisite to sustained economic growth)
- To acquire technologies and knowhow needed to rival foreign competition











China - Crude Oil Imports by Source - Feb 2019

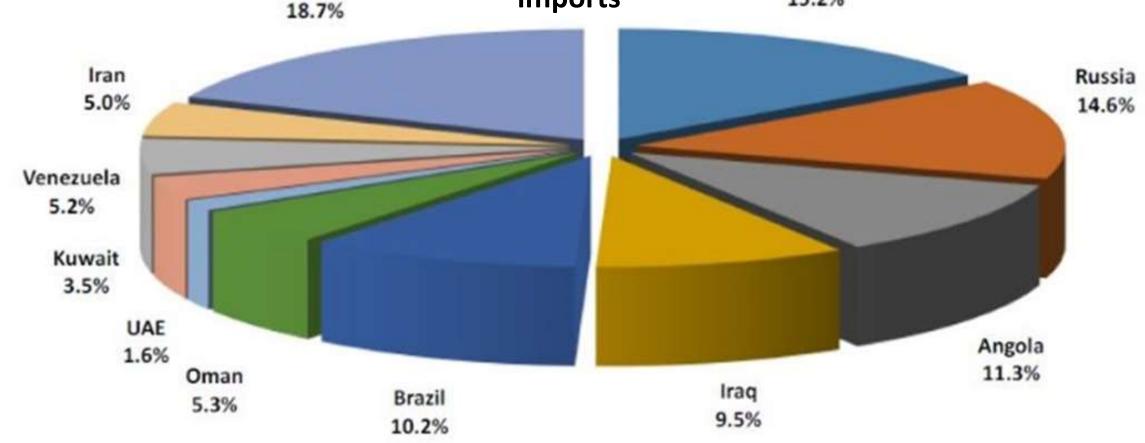
China: the world's largest oil importer since 2017

Others

(source: GAC; in % of import volume)



Saudi Arabia 15.2%







China: the world's largest reserves of grain

18 months worth of wheat consumption

China's history: 50 million Chinese died of hunger due to Mao's Great Leap Forward (1959-1961)

US sanctions until the 1970s

Food rationing until the early 1990s









