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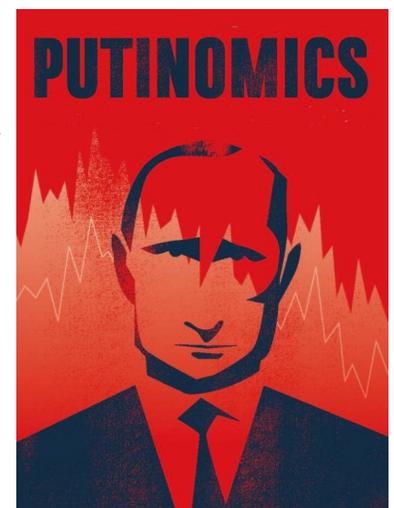
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Russia-Ukraine War

Just before World War II, the Germans were working on advanced military weapons that included nuclear warheads. During the war, a Hungarian named Leo Szilard tried to warn the Americans of this program, but no one took him seriously. He turned to his friend, Albert Einstein, who he knew could convince the U.S. government of this threat. Soon after, the Manhattan Project was formed. As World War II was ending, the Russians and Americans were closing in on Berlin. There was a mad scramble to capture all the research and German scientists that were working on various German weapon projects. This research greatly advanced Russian and American scientific programs. In fact, the Russians shocked the world when they launched Sputnik. Sputnik is the world's first artificial satellite that was launched on October 4, 1957. At that time, the world knew they were behind Russian space technology. John F. Kennedy made it a national priority for the U.S. to spend enormous resources to advance our military and space programs with the goal to surpass the Russians.

I believe this is the last time the Russians have shown superior technology since World War II. In the 80s and 90s Russia went through considerable economic stress. "World War II, in which the Soviet Union lost an estimated 27 million people, is a linchpin of Russia's national identity. In today's Russia, officials bristle at any questioning of the USSR's role."¹ Russia had incredible war sacrifices and Sputnik was a tremendous boost to Russian national pride. In the late 80s their economy was collapsing along with their national pride and political system. "Average Russians have also seen their standard of living improve under Putin following the turbulent 1990s when Russia was recovering from the collapse of the Soviet Union. Wages have risen. Average people can afford foreign cars and annual holidays to the beaches in Greece and Egypt. For years, many had little interest in rocking the boat."² Many new countries were formed out of the old Soviet Union due to this collapse and one of them was Ukraine.

Over the last 30 years Russia has been trying to get back their old economic power and glory. "Russia's economy is now roughly the size of Italy's."³ A lot has changed with globalization, human capital, and other intangible assets taking a higher economic priority. This is one of the greatest American strengths to lead the world in technology, at least for now. On the other hand, I believe the Ukraine takeover has been in the works for many years. President Putin wants to be the commodity king of the world thereby complementing and diversifying Russia's incredible infrastructure for oil, gas, and other commodities which they have utilized in influencing the Europeans and many other countries throughout the world. "Germany's gas imports from Russia amounted to around 36% of its total in 2010, which rose to a roughly 65% share by 2020, according to figures from Eurostat."⁴ Over the last several years they have aligned themselves with OPEC countries to try to influence the price and supply of oil. In my opinion, they have done this by basically affecting their production and in essence being part of the cartel while holding Europe hostage.



Russia-Ukraine War (Continued)

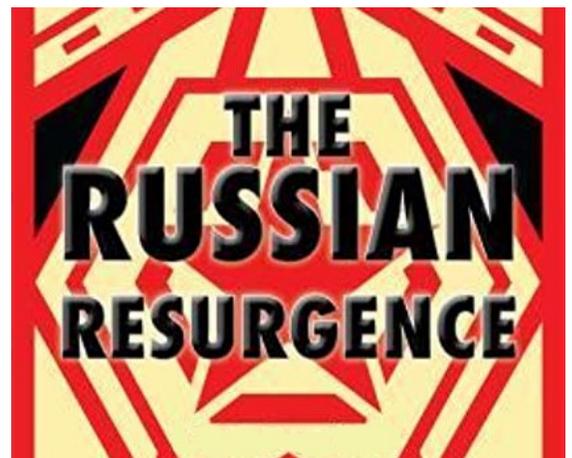
Looking long-term, Putin realizes the eventual transition to renewable fuels, and would like another major crown jewel for the Russian empire. And that very well could be agriculture. However, one knows that weaning the world off fossil fuels will take decades. I believe the world transition to renewables will be sped up dramatically and potentially create innovation which may not have happened so fast if Russia had not invaded Ukraine.



Ukraine has the potential to be a powerful agricultural powerhouse. According to Michelle Kibler, an associate professor of agribusiness at Illinois State University, “Russia and Ukraine are large contributors to the world’s agriculture, making up 29% of global wheat exports and around 17% of corn exports.”⁵ ““The United Nations warned that already record global food costs could surge another 22% as war stifles trade and slashes future harvests.”⁶ “Grains are the staples that feed the world, with wheat, corn and rice accounting for more than 40% of all calories consumed. Higher shipping costs, energy inflation, extreme weather and labor shortages have made it harder to produce food.”⁶ Ukraine is the second largest country (by total area) in Europe with a population of over 40 million.

I feel Ukraine is an important agricultural country especially in terms of arable land area and black soil. It has such fertile soil, some of the best in the world and plenty of opportunity to make it’s farming more efficient and productive. If Russia can annex Ukraine, Russia can get incredible economies of scale in many various commodities like wheat, corn, nickel, gas, and fertilizer to name a few. In a couple of years, I believe Russia and Ukraine together could potentially surpass China’s wheat production which would help them tremendously with more economic power and exports. Currently I believe China is the leader, but they need production for domestic consumption to feed their people. That is one benefit of Russia’s invasion of Ukraine is that they have enough food to be self-reliant to feed their people and not rely upon the west.

Long-term Russian ambition would be to export a lot more and influence pricing. This is particularly true to Arab and African countries who need a lot of agricultural products. For example, Egypt relies on Russia and Ukraine for over 80% of its wheat purchased on international markets. In my opinion, President Putin does not care about anything that is above ground in Ukraine. One can see the indiscriminate shelling of Ukrainians. However, I think he cares greatly about the location of Ukraine especially when it comes to access to the Black Sea. “Understand that Putin did not take Crimea in 2014 simply because he could. He also took it because, as a warm-water port on the Black Sea, it was critical to his future military plans. He knew that a second, southern launching point for a full invasion of Ukraine would be ‘necessary’ once his puppets Yanukovich and Manafort were forced to flee Kyiv in February 2014.”⁷ In my opinion, he cares greatly about the potential mineral and agricultural products that are in the ground and wants to get Russia back its glory.



Russia-Ukraine War (Continued)

You may be asking why he did this now. I believe the following could have played a part in his thinking.

- 1) He saw weakness in the U.S. politically.
- 2) A new German chancellor.
- 3) He thought he would be able to dispose of Zelenskyy easily. “Ukrainian president Volodymyr Zelenskyy, who his aides say has survived more than a dozen assassination attempts in just the last two weeks, may be speaking first and foremost on behalf of the nation he leads when he says the Ukrainians are now fighting for the preservation of Western democracy - and against the global march of autocracy that our own president, Joe Biden, has so often spoke of...”⁷
- 4) He saw the west was divided.
- 5) He felt China would side with him because of their takeover of Hong Kong and their ambition to potentially takeover Taiwan. And seemingly China’s reliance of energy.
- 6) He saw the Afghan government fall in a few days with an incredible amount of time and money spent by the U.S. on their military.

In my mind he made tremendous mistakes, a miscalculation with the execution of his plan and invasion along with the underestimation of Zelenskyy’s charisma and the fight and training of the Ukrainian people and military. More importantly he underestimated their mindset and how far they would go to protect their land and country.

How does it end? I believe President Bidens response thus far is on target for the most part. He has provided Ukraine large humanitarian support and military spending on weapons. This is the time when it is a political year in the United States. We need cooperation from both parties for this common objective which we have seen thus far. In addition, President Biden has been able to unite NATO and many other countries in support of the Ukrainians and restrict and harm Russia’s financial system. ”Russia has already lost access to almost half of its reserves and sees more risks to President Vladimir Putin’s war chest due to increased pressure from the West on China, said Finance Minister Anton Siluanov.”⁸ This is particularly true with SWIFT (Society for Worldwide Interbank Financial Telecommunications). However, some people think he could do more to affect their financial system which he might have to do later.



I believe there are two ways Putin will end the war: 1) if his finances are restricted enough and his economy is on the verge of collapsing or 2) if his military gives up or turns on him. History shows “Russia heavily outnumbered the Chechen fighters but largely chose to fire on the Chechen capital of Grozny rather than enter it and face these defenders. Russia pummeled the city with missiles, thermobaric weapons, bombs and artillery. One cruise missile struck a central market and killed 140, according to an account by Geoffrey York, a Globe and Mail correspondent who reported from Grozny.”⁹ “After four months, Russian forces captured the smoldering city and ended the siege. An estimated 25,000 civilians were killed. Years later, the UN called Grozny the most destroyed city on Earth.”⁹ I do not believe the oligarchs whose finances depend upon Putin would change the relationship with him. Many of these oligarchs are front men for Putin and are afraid of him. Therefore they are less likely to express how they truly feel. To sum it up, they are followers of Putin not influencers.

Conclusion

In conclusion, nobody wins a war. The real measure is who loses less. The world may never be the same due to this aggression by Putin and the repercussions are many. There will likely be higher cost and inflation for many commodities, thereby increasing the cost of goods and services as well as transportation. “Spiking nickel prices could add \$2,000 to the cost of every electric car – and the pain may hit Rivian and Lucid way harder than Ford and GM”¹⁰ Most countries throughout the world will be impacted but especially poorer countries who cannot afford these dramatic cost escalations. Another byproduct could be the Chinese acceleration of splitting from the U.S. and west. Especially with their currency tied to the American dollar which might force them to sell our government securities/other investments and look at other ways to trade currencies. I believe defense spending will increase, especially for countries near Russian borders. Plus, I think we will have basic product and service shortages. We will see more alliances among various countries for security and economic cooperation. There will be a tremendous push for new technologies and research to reduce reliance on fossil fuels, expand infrastructure for fossil fuels, and transition to renewables sooner to become less reliant on Russia. In addition, I believe a large part of the energy infrastructure might be moving more LNG facilities to transport abundant gas to where it is needed. I also believe there will be a larger focus on drones in combat both defensively and offensively.

Let’s hope that the war ends soon, does not escalate, and a compromise can be reached to prevent further human suffering and economic hardship.

Optimistically Yours,



Raymond F. Saleeby
President

Footnotes

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Did You Know

Putin's invasion of Ukraine has lit a fire under China to wall off its economy from the US

<https://www.businessinsider.com/putin-russia-ukraine-war-threatens-xi-jinping-china-economy-plans-2022-3>

Ukraine's army is using a nimble 'game-changing' drone called The Punisher that has completed scores of successful missions against the Russians, say reports

<https://africa.businessinsider.com/military-and-defense/ukraines-army-is-using-a-nimble-game-changing-drone-called-the-punisher-that-has/xzq3r6b>

Elon Musk's Starlink satellites are helping Ukraine's elite drone unit destroy Russian tanks and trucks in the night: report

<https://www.businessinsider.com/elon-musk-starlink-ukraine-drone-unit-russia-tanks-war-2022-3>

An elite Ukrainian drone unit exploits the cover of night to destroy Russian tanks and trucks while their soldiers sleep, report says

<https://africa.businessinsider.com/military-and-defense/an-elite-ukrainian-drone-unit-exploits-the-cover-of-night-to-destroy-russian-tanks/v0br1zp>

No longer in Russia

<https://www.nytimes.com/2022/03/24/business/companies-products-russia.html>

Russians and Ukrainians are traveling to Mexico, buying cheap cars and driving them across the US border to claim asylum, says report

<https://www.businessinsider.com/russians-ukrainians-buying-cheap-cars-drive-across-us-mexico-border-2022-3>

Putin has become so isolated during the pandemic that he no longer meets friends for 'drinks and barbecues,' a Russian journalist said

<https://www.businessinsider.com.au/russian-journalist-putin-isolated-during-pandemic-2022-3>

Russian internet users are learning how to beat Putin's internet crackdown

<https://www.cnn.com/2022/03/12/tech/russia-internet-censorship-circumvention/index.html>

What LNG can and can't do to replace Europe's imports of Russian gas

<https://www.bloomberg.com/news/articles/2022-03-11/what-lng-can-and-can-t-do-to-replace-russian-gas-quicktake?sref=Ro2vIlyD>

Shale King Harold Hamm is passing billions to his heirs tax-free

<https://www.bloomberg.com/news/articles/2022-02-14/shale-king-harold-hamm-is-passing-billions-to-his-heirs-tax-free?sref=Ro2vIlyD>

Warren Buffett has 1 key piece of career advice for college kids: look for a job you would choose if you had no need for money

<https://www.businessinsider.com/warren-buffett-career-advice-college-kids-find-job-career-2022-3#:~:text=%22I%20have%20urged%20that%20they.give%20up%20on%20the%20quest.%22>

A third of US workers make less than \$15 an hour, and they're struggling to make ends meet

https://www.businessinsider.in/policy/economy/news/a-third-of-us-workers-make-less-than-15-an-hour-and-theyre-struggling-to-make-ends-meet/amp_articleshow/90379365.cms

Did You Know (Continued)

Looking for early warning signs of Pancreatic Cancer

<https://www.nytimes.com/2022/02/07/well/live/pancreatic-cancer-warning-signs.html>

6 colon cancer warning signs never to ignore

<https://www.yahoo.com/now/6-colon-cancer-warning-signs-184930495.html>

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