

Opinion **Geopolitics**

Russia's war will remake the world

The combination of conflict, supply shocks and high inflation is inevitably destabilising

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Martin Wolf YESTERDAY

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A new world is being born. The hope for peaceful relations is fading. Instead, we have [Russia's war on Ukraine](#), [threats of nuclear Armageddon](#), a [mobilised west](#), an [alliance of autocracies](#), [unprecedented economic sanctions](#) and a huge [energy and food shock](#). No one knows what will happen. But we do know this looks to be a disaster.

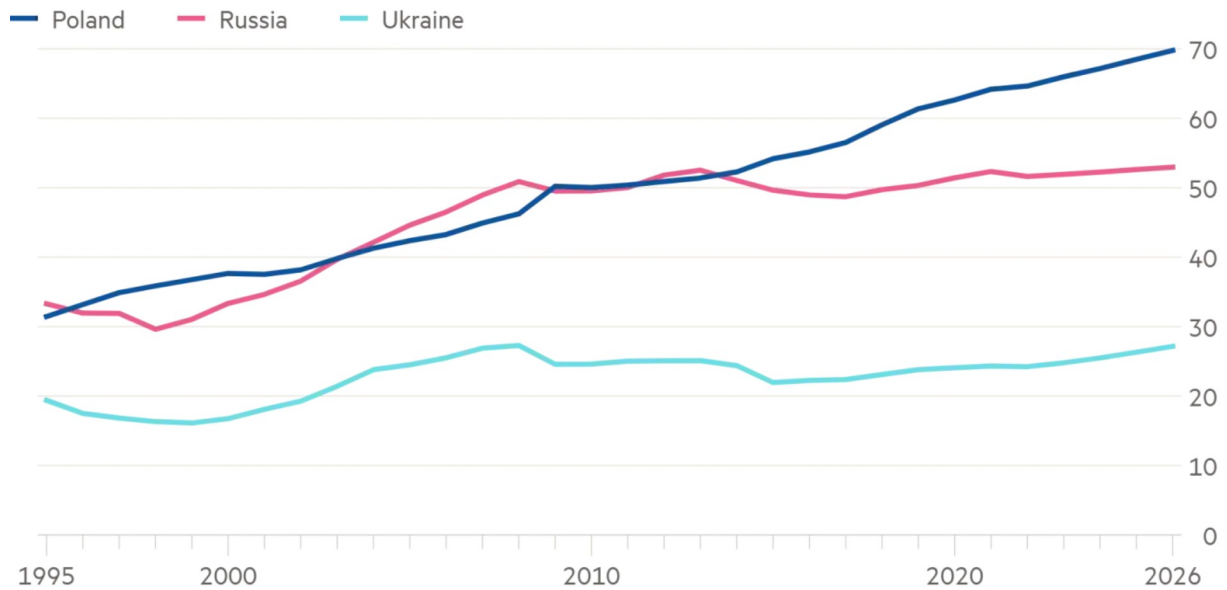
It is natural to seek someone to blame. For many, the culprit is Nato's expansion into central and eastern Europe. A leading voice is [John Mearsheimer](#), the distinguished "realist" scholar, who blames the US decision to open up the possibility of Nato membership to Ukraine in 2008. I agree and disagree.

The mistake was the ambiguity. The offer should only have been made when Ukraine would join as a full member. But I supported the expansion of Nato into the former Russian satellites because good fences make good neighbours. Russia knows that if it invades a Nato member, there will be war. That was not the case with Ukraine. This is why this assault seemed an easy option for the despot in the Kremlin.

Russia's catch-up halted after the financial crisis, as Ukraine lagged

behind

GDP per head at PPP relative to Germany (Germany = 100)



Source: IMF
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As to why Vladimir Putin did it, one answer is that he runs a failed regime. Only empire can justify his rule. Russia's commodity-dependent economy has fallen far behind Poland's. It is a rentiers' paradise. Today, those rentiers are Putin's thugs and the Boris Yeltsin-era "oligarchs". Ukraine has failed economically, too. But it is democratic. For Putin, that aspiration is intolerable. (See charts.)

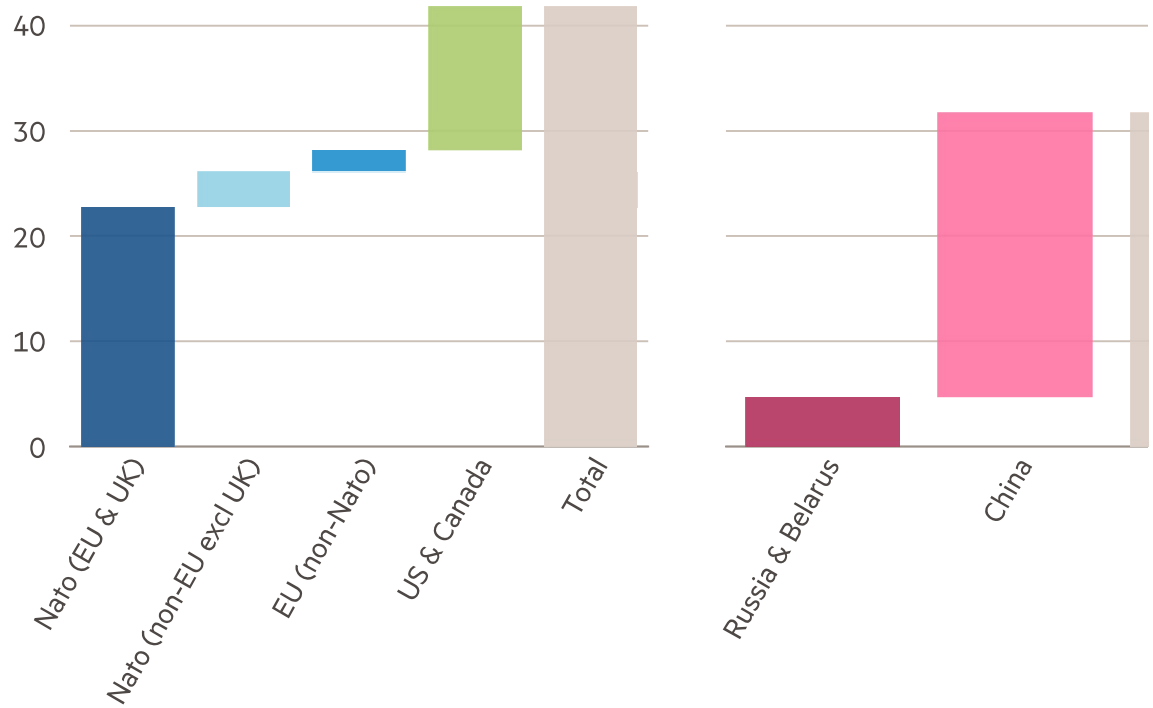
In the aftermath of the fall of the Soviet Union, many hoped for a world guided by cooperation and mutually beneficial exchange. But great power conflict was always waiting to break through. The US was inebriated by its "unipolar moment". China grew more powerful and authoritarian under Xi Jinping. Putin chewed on his resentments, finally invading a country he thinks he owns. We hear echoes of the first world war. Then, it was Austria, the weaker partner, not Germany, that began the conflict. Today, it is Russia, the weaker partner in its alliance with China.

Nato still possesses the world's dominant economies

GDP at PPP (current prices, \$tn), 2021

50





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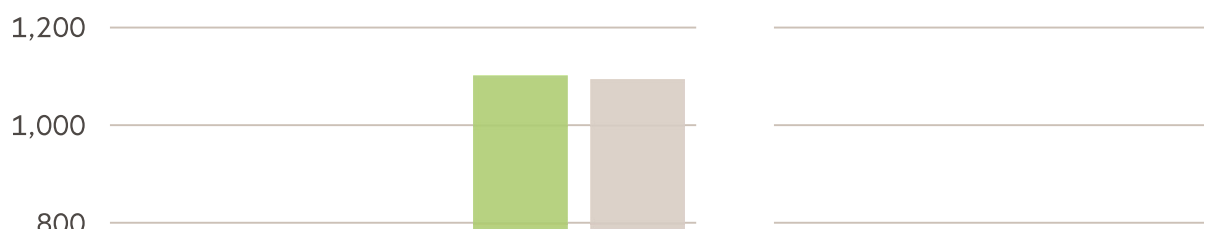
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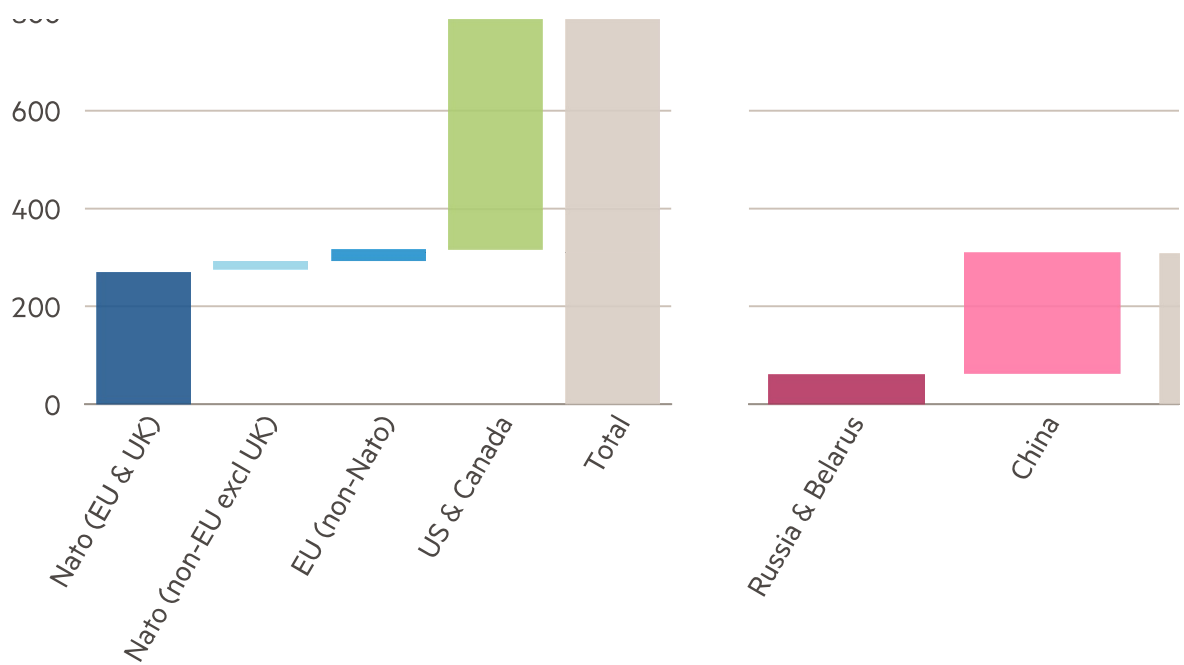
China's promised support risks turning the dangers created by Russia's war into a catastrophe. It would transform the world into two blocs, with costly economic and security consequences. Yet a mobilised west is still far stronger. The impact of western sanctions demonstrates this. A unified west dwarfs Russia on all measures, except military personnel and nuclear warheads. Even with China added, the west is significantly more powerful, except in numbers. Nevertheless, a long-term clash between the west and an authoritarian bloc of Russia and China must be prevented if at all possible. It would be hugely dangerous.

Today, then, we see a transforming world. Consider the challenges ahead.

Nato's military spending far exceeds that of Russia and even China

Military expenditure (\$bn*), 2020



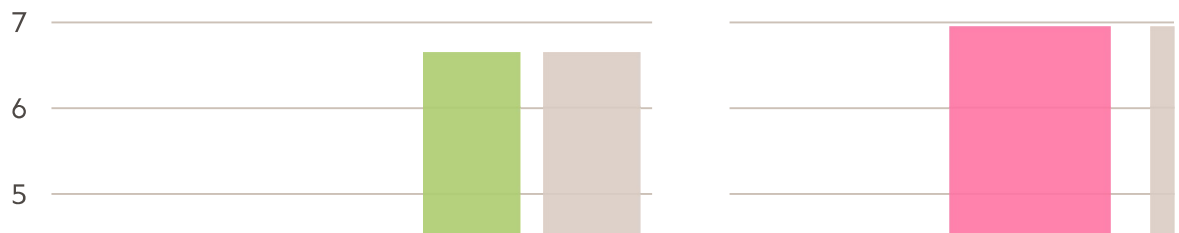


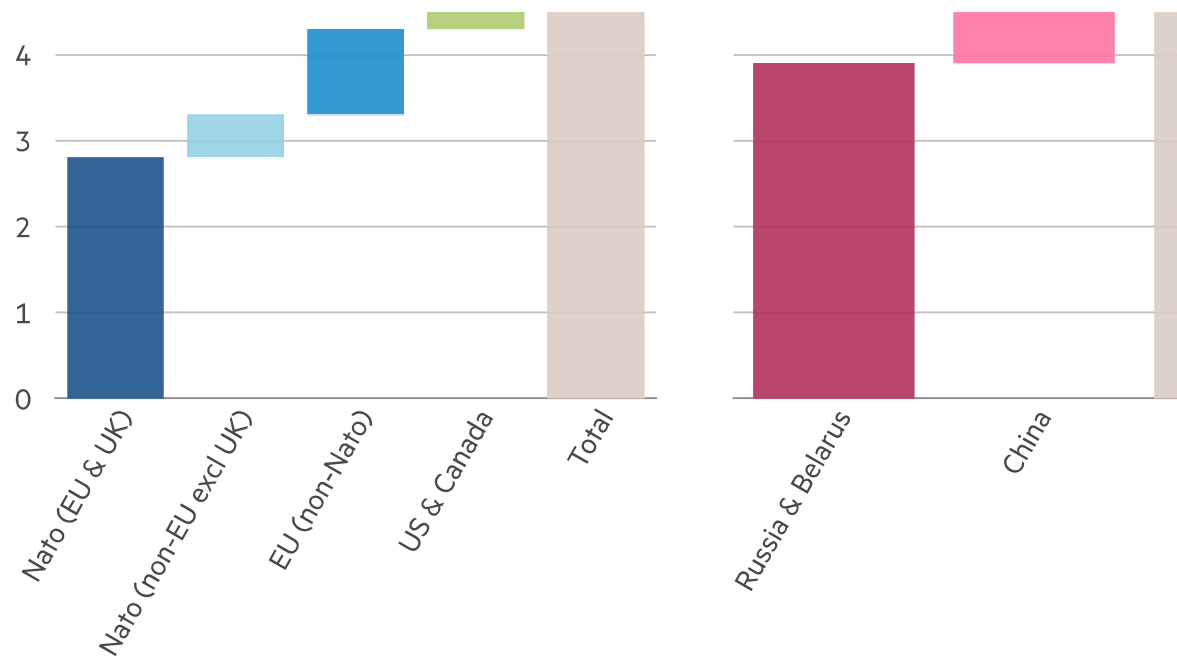
Most obviously, there must be an end to the war in Ukraine, which is an assault simultaneously on a peaceful country, on a democracy and on the world order. [China should seek to help extricate Russia from its quagmire.](#) It is not hard to understand why it backs Putin. Among other things, its leaders surely share his contempt for democracies. Yet these are huge mistakes. As history has often shown, free societies are powerful, once mobilised, because they enjoy the support of their people.

It is also essential to manage the coming economic crisis. The combination of war, supply shocks and high inflation is destabilising, as the world learnt in the 1970s. Financial instability now seems very likely, too. Monetary authorities cannot ignore high inflation, however. So governments will have to employ targeted fiscal support for the vulnerable.

Russia and China have relatively large armed forces in terms of numbers

Military personnel (mn) 2021

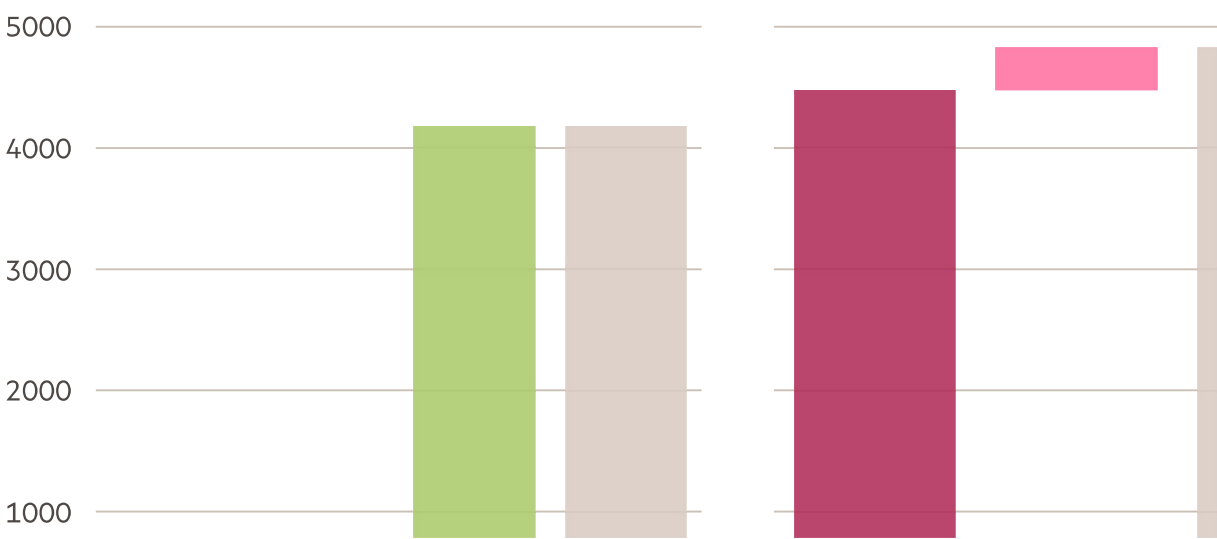


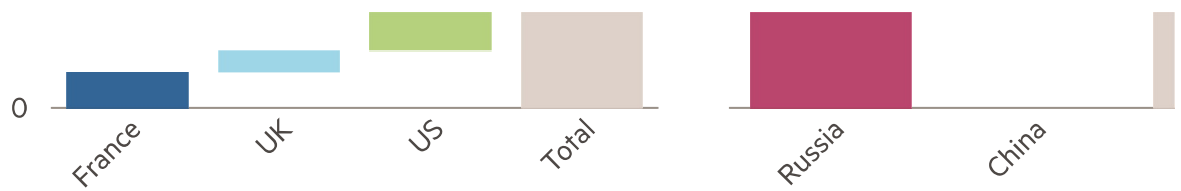


Moreover, the west must reinforce its defences, on all fronts — military, energy, cyber and economic. It is inevitable, alas, that in a conflict with huge ramifications the requirements of security come first. This is not the world any sane person desires. But it is the one in which we now live. It is vital that the EU becomes a true security power. It comfortably possesses the economic and demographic scale to balance Russia. Post-Brexit UK must participate as fully as possible. The US needs such European assistance, since it will also be dealing with Xi's worrying China.

Russia is a nuclear superpower

Estimated nuclear warhead stockpiles (2022)





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Sources: OurWorldInData, Federation of American Scientists • *Excluding warheads queued for dismantlement

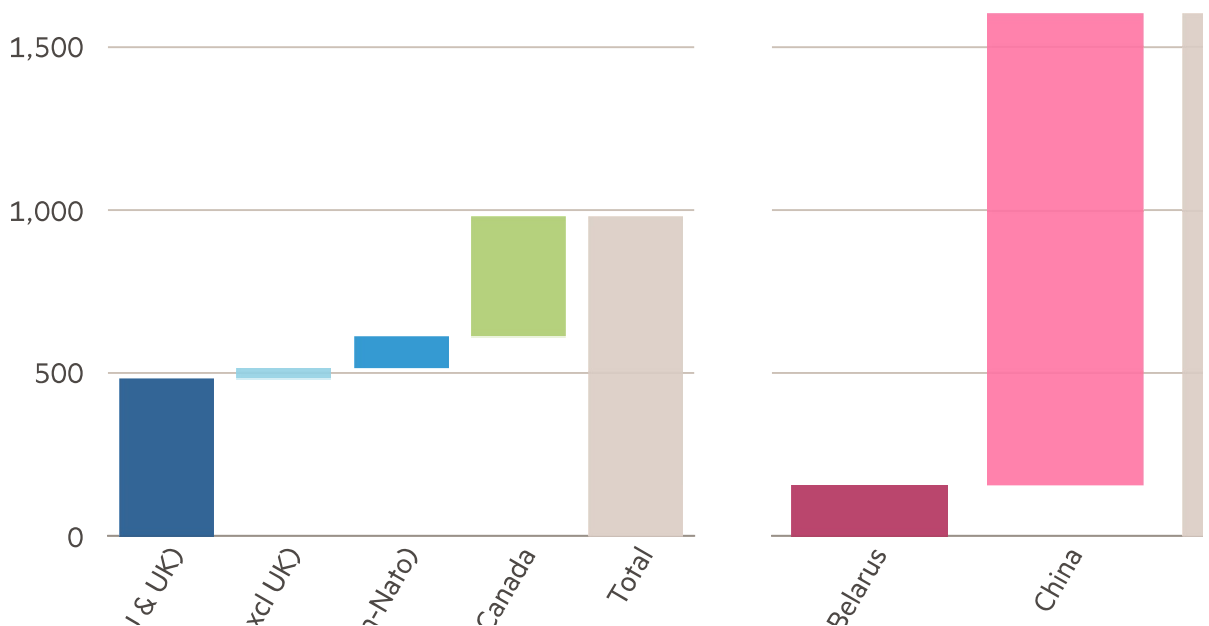
Despite these pressing needs, we should try not to abandon everything achieved in the past three decades. We are not at war with ordinary Russians and Chinese people who simply hope for a better future. On the contrary, in the long term they may prove our allies. Sanctions need to be targeted, so far as possible. The future of trade and other peaceful exchanges will depend, however, on how — and, no less, after how long — this crisis ends.

Not least, we need to remember the wider concerns all humans share — the global environment, managing pandemics, economic development and peace itself. We cannot survive without co-operation. If Putin's madness proves anything it is that. The world of "might is right" is not a world we can safely live in. As his nuclear threats show.



Nato is far more populous than Russia, though not China

Population (mn) in 2022



Nato (EU)

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Source: UN Population Division

After the battle of Austerlitz in 1805, William Pitt the Younger said, presciently: “Roll up the map [of Europe]; it will not be needed these 10 years.” Russia’s war on Ukraine has similarly transformed the map of our world. A prolonged bout of stagflation seems certain, with large potential effects on financial markets. In the long term, the emergence of two blocs with deep splits between them is likely, as is an accelerating reversal of globalisation and sacrifice of business interests to geopolitics. Even nuclear war is, alas, conceivable.

Pray for a miracle in Moscow. Without it, the road ahead will be long and hard.

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