FINANCIAL BLITZKRIEGS CAN WORK!

Russia thought it would roll over Ukraine, but the West's Financial Blitzkrieg now threatens to trigger the unravelling of Putin's autocracy. Excellent!

This is new and exciting… We've invented a whole new way to wage war! And it might even work.

It only took a day – but what we've already learnt about *Financial Blitzkrieg* is you can't have half-measures. You need to go in brutal, all-out and nasty from the get-go. Don't worry how messy it gets – go in hard and don't stop punching. Don't bring a knife to a financial fight – bring machine guns and lots of sanctions.

Messy it will get. Citicorp's $10 bn exposure to Russia is a rounding error, but Austria's Raiffeisen's $9 bn number will hurt. (Austria is also 100% dependent on Russian energy.) Not surprisingly, French and Italian banks are on the hook for some $25 bn – no surprises there – but even that is "acceptable" blue-on-blue collateral damage.

The Aviation industry will take a potential pasting from aircraft leased to Russian operators – with some $5 bn of planes at risk. BP will take a thumping divesting from Rosnef, but they can handle it – as can Shell.

The West surprised everyone – especially ourselves – with the scale of the weekend financial assault on Russia. The crunch moment that swung Europe behind stronger sanctions was a call with Ukrainian President Volodymyr Zelensky. He told them he didn't expect to survive to speak to them again. Even the Germans were moved. *Zelensky is that good.*

Now Europe and the West should go much further.

Completely freeze all Russian access to Swift. Worry not about Energy in Europe – it might be short-term painful, but the long-range weather forecast is for a mild European spring.

Seize any and all Russian assets, including the half-sunken Oligarch gin-palace a Ukrainian sailor tried to sink. Squeeze the pips till the bastards choke.

And make sure the Russian people know why. Make clear to every Russian how they behave

today determines their personal future tomorrow. The West is watching – which is why oligarchs like Abramovich are trying to play both ends and their kids are breaking ranks. Better to lose $1 bn, keep $100mm, than be a head on a spike with nothing.

This past weekend conclusively demonstrated no nation exists on its own when it comes to global money. Especially an intrinsically weak and suspicious state like Russia. Nations remain interconnected.

What use is Russia's Fortress-economy when it ends up under economic siege? Its carefully rebuilt foreign reserves neutralized on a pen-stroke. Millions of Russians finding their savings blocked. And asking why… and for what..? Maybe they aren't aware it's Ukrainian cities their Katyusha rocket artillery is flattening…

And some point soon, a leading oligarch or a general will be on the phone to one of Russia's most successful new business enterprises, the Wagner Group, to offer them a new contract – at one of these addresses.

If I can figure that might happen.. imagine how Vladimir Putin feels this morning… looking around, wondering who will betray him? Belarus hackers mounted a cyber-attack on their own nation's infrastructure yesterday (2/28).

The reality is simple. The West needs Russia's commodity resources. Russia needs the West's open markets. That's a win/win trade.

The alternative for Russia is bleak: become a price taker from China, which will prove entirely sub-optimal. China will treat them abysmally, and probably seek to integrate mineral-rich Siberia into their co-prosperity sphere. The alternative upside is to stop trying to war with the West – and become part of it.

Share the mutual prosperity… access to Western goods, tech and services.. or become China's serf? Russia – You Choose.

Russia still has a chance to make this good. The chances… who knows?

I got a panicked call yesterday asking what I knew about Russian default. Wow. That triggered some memories. Russia has broken itself before. It's doing it again. Yesterday, someone in the Kremlin announced Russian borrowers would stop repaying foreign loans, triggering immediate speculation it was an "event of default". The comment was swiftly withdrawn. But it was an interesting moment…

The Russians have historically demonstrated an extreme talent for fiscal, monetary and political instability for centuries.

The 1998 Russian collapse occurred because Russia was broke, over-extended, exhausted by the costs of invading Chechyna, facing a chronic funding imbalance just as liquidity dried up as investors lost confidence in the pace of reform. Does that sound familiar?

The country was under pressure from an increasing sense of grievance at Boris Yeltsin's chronically mismanaged, ineffectual government and his blind eye to corruption and the state capture by oligarchs. Ring any bells?

It was Boris that brought in the relatively unknown former spook (and occasional St Petersberg taxi driver) Vladimir Putin as the new head of Federal Security. The crunch came when the Ruble was devalued, the country defaulted and a moratorium was announced. Yeltsin was gone by the Autumn. History is kind of circular.

Trump recently said *satirically* Putin was a "genius" – but there is an element of truth in that. Putin leveraged his position into the Presidency, inserted himself into every pie, and ensured he got the bulk of every kopek the kleptocracy ripped out of the Russian peoples' soul. Evil genius indeed.

Today, the West can weather whatever the coming, dare-I-say inevitable, Russian default and financial denouement throws up.

What will be more interesting is how the West ensures it doesn't happen again by making sure Russian V.3.1 is more honest, more liberal and less kleptocratic than what's gone before. The Russians are good people. Their leaders are not.

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