

An economic and political overview

In a panel discussion at the Glacier Investment Summit 2022 which was held in Parys, Free State, Professor Theo Venter, political and policy specialist and lecturer at North-West University and Dawie Roodt, economist at the Efficient Group, provided a global political and economic overview. Most of their discussion centered on the Russia-Ukraine conflict and its profound global impacts.

Here are some of the take-outs of their discussion

Russia's military manoeuvre in Ukraine

1. We need to be aware that the conflict could lead to nuclear war, but there are degrees of this kind of action, which would set many other possible retaliatory actions into motion. President Putin is not a 'mad man' and understands the ramifications of such an action, so he's unlikely to act irrationally.
2. Global growth is likely to slow annually by about 1%.
3. The impacts on fuel and commodity prices are already being felt but the most severe impacts will most likely to be felt by third world countries like Sri Lanka and parts of Africa dependent on Russian and Ukraine grain and fertiliser.
4. In Russia, there currently is no sign of an economy in distress and there are no shortages. It will take time – the better part of a year – before the effects of sanctions are felt. And it is likely that Russia will find ways to circumvent the sanctions through 'disguised' exports.
5. In response to the question, "Are ordinary Russians in favour of the war?", three points need to be made:
 1. Russians generally are super-nationalistic, and they support their national armed forces, regardless of their personal view on whether the war is right or wrong.
 2. For historical reasons, the majority of Russians are in favour of the takeover of the Eastern Donbass region but do not support complete takeover of Ukraine.
 3. Putin's support is polarised, from fanatical support to total opposition. However, Russians believe that the country needs a strong, decisive leader. The country's size is immense with myriad cultural, religious and political groupings.
6. Putin's military actions have achieved some unintended consequences: Europe is more unified than it has been in more than a decade; NATO is more unified than before the Trump

era; Ukraine could join the EU; and Finland and Sweden could join NATO.

7. Putin dreams for Russia to be of the level and power (and possibly the structure) of the USSR.

The effects in the US

8. In the US, applying sanctions is creating dire domestic issues regarding fuel and commodity prices. At present, American citizens are paying the dollar equivalent of around R19 per litre for fuel – the highest price in about four decades. Bear in mind, that is almost as much as South Africans are paying at around R21 per litre for petrol (around R23 per litre for diesel).
9. The West will take about one year to find fuel suppliers outside of Russia.

The Chinese question

10. The Chinese position in this conflict is crucial. China needs domestic growth to sustain its immense population. If their growth dips below 5%, economists need to pay attention. Currently their growth is at 4.7%.
11. China has a vested interest in a stable global trading system, which currently is a challenge.
12. The war has come at a bad time for China, given its domestic COVID challenges and the lockdown restrictions imposed on major centres. China is likely to support Russia, but their own survival and prosperity are a priority.
13. The US remains an economic focal point for China.

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