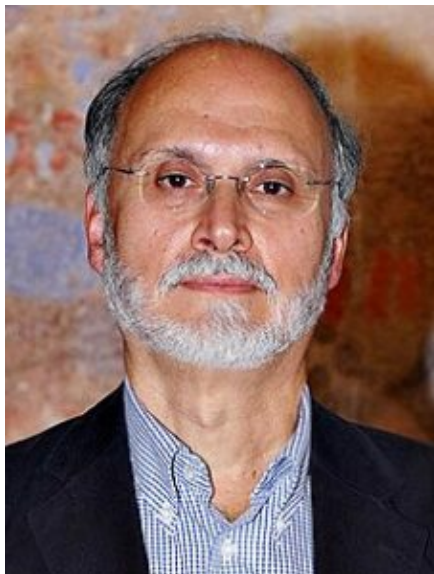


Gilbert Achcar On The New Cold War



*Gilbert Achcar - Photo:
Wikimedia Commons*

The risk of a new Cold War has greatly increased in recent times, not only because of Russia's invasion of Ukraine but also because the US has acknowledged China as a superpower rival that needs to be contained. This is the version about current international affairs that one encounters among mainstream analysts. However, Lebanese socialist scholar Gilbert Achcar claims that this interpretation of interstate relations in today's world is a misrepresentation of the evolution of global politics since the official end of the period known as the Cold War, which lasted from 1947-1991, and rests on a confusing notion around the issue of a "new Cold War." Indeed, in the interview that follows, Achcar argues that a New Cold War has been underway since the late 1990s and we are now at a stage where it could get hot.

Gilbert Achcar is professor of development studies and international relations at the School of Oriental and African Studies, University of London. He is the author of many books, including *The People Want: A Radical Exploration of the Arab Uprising*; *The Clash of Barbarisms: The Making of the New World Disorder*; *Perilous Power: The Middle East and U.S. Foreign Policy* (co-authored with Noam Chomsky), and *Marxism, Orientalism, Cosmopolitanism*. His latest book, which

was just released, is [The New Cold War: The United States, Russia and China from Kosovo to Ukraine](#) (Haymarket Books 2023).

C. J. Polychroniou: Russia's invasion of Ukraine and its partnership with China have led many commentators to speak of the beginning of a New Cold War. However, in your newly released book [The New Cold War: The United States, Russia, and China from Kosovo to Ukraine](#), you argue that a new geopolitical East-West divide, and thus the emergence of a New Cold War, can be traced back to the late 1990s, and specifically to the Kosovo war. Let's start with your understanding of the term "cold war" because I can see many objecting to your interpretation of the interaction of states in the global interstate system prior to Russia's invasion of Ukraine.

Gilbert Achcar: There is a lot of confusion indeed around the issue of a new cold war. The uses of the expression did not start proliferating now, but since 2014 regarding US relations with Russia and since Trump for those with China. The range of opinions remained the same though, between those who believe that we're in the thick of it, those who believe that it has only started now with the invasion of Ukraine, and those who are still warning of it as a potential outcome! What is right in all this, however, is that the notion of "cold war" is not conflated with the ideological and systemic opposition that existed between the Soviet-led and the US-led blocs. The origins of the expression "cold war" and of the notion of a New Cold War are both discussed in detail in my book.

Basically, a "cold war" is a situation in which a country maintains a state of preparation for war without being (yet) engaged in a "hot war." In other words, the arms race is what made the Cold War be called as such, and I have explained since the late 1990s how the United States had decided to maintain a level of military expenditure based on the scenario of a war simultaneously waged against Russia and China. This decision was related to other provocative stances by Washington, which led me to identify the beginning of what I called the New Cold War in 1999. What happened since could only confirm this diagnosis, and it is rather amusing that today, when the world is as close to a very hot world war as it has ever been since 1945, some are still reluctant to call a spade a spade!

CJP: Who is the real enemy for Washington at the time you situate the genesis of the New Cold War, and why is the war in Kosovo such a dramatic turning point in the post-Cold War world?

GA: There were a lot of comments after the demise of the USSR about Washington's need to invent a new global enemy. Some believed that "terrorism" had solved the problem, but "terrorism" is in no way the kind of "peer competitor" that Washington needs to secure the allegiance of its Cold War allies, which Zbigniew Brzezinski famously called its "vassals." By basing its actual behavior on the assumption that both Russia and China were potential enemies, the United States has recreated tensions with Russia—and created new ones with China, after cooperating with it against the USSR during the last 15 years of the Cold War.

The Kosovo war was decisive because it shattered any illusions Moscow and Beijing might have had about the "new world order" promised by George Bush Sr. in 1990, when he was preparing for the first US-led war on Iraq conducted in the name of international law and sanctioned by a UN Security Council resolution that Moscow approved and on which Beijing abstained. Bush Sr.—in a famous speech delivered, by an irony of history, on September 11, 1990—had promised that, from then on, the world would be "quite different from the one we've known: a world where the rule of law supplants the rule of the jungle." Moscow and Beijing hoped that the UN would henceforth play the role for which it had been initially designed, thus giving them a veto right about the use of force in international relations. Likewise, Bill Clinton's administration had assured Moscow that NATO's enlargement to Poland, Hungary and the Czech Republic was not intended against Russia. And yet, the same year 1999 when that enlargement was sealed is the year when NATO launched its first war ever, the Kosovo war, circumventing the UNSC and thus violating international law.

CJP: Putin was elected Russia's president just a few months after the Kosovo war and immediately embarked on a series of rather dramatic domestic and foreign policy measures designed to make Russia stronger and, once again, a major actor in global affairs. From your point of view, was Putin's decision to invade Ukraine simply a reaction to the enlargement of NATO and its growing strategic relationship with Ukraine or, as some mainstream scholars have argued, perhaps also part of a plan to reconstitute the Russian empire with a return to 19th century imperialist practices?

GA: There is truth in both explanations, in my view. NATO's eastward enlargement in the 1990s, along with the neoliberal "shock therapy" that Washington promoted in post-Soviet Russia and its encouragement for Boris

Yeltsin's antidemocratic behavior, laid the ground for Putin's ascension to power. He had to swallow in turn the very bitter pill of a second round of NATO enlargement, sealed in 2004, which added to the Alliance the three former Soviet Republics of the Baltics, along with other East European states. He then drew a red line regarding the two other former Soviet Republics eyed by NATO—Ukraine and Georgia—which also had a common border with Russia.

When, in 2008, George W. Bush pushed for the accession of both states to NATO and obtained from the Alliance a pledge to integrate them despite French and German reluctance, Putin acted, first by encroaching on Georgia in 2008, then by annexing Crimea and encroaching on Eastern Ukraine in 2014, after the Ukrainian upheaval of that same year and Kyiv's subsequent shift away from Russia. These encroachments were meant to create a state of belligerence with both countries rendering impossible their accession to NATO, lest the Alliance find itself in a state of belligerence with Russia.

For that purpose, the encroachment on Eastern Ukraine would have been enough. The annexation of Crimea served another purpose, that of bolstering Putin's domestic popularity, after it had sunk to a low following his comeback as president in 2012 against a backdrop of mass protests. Putin played on Russian nationalism and revanchism to revamp his regime's credentials and has been developing ever since a discourse of Russian imperial nostalgia. NATO's enlargement to Ukraine had been made impossible since 2014. The invasion of Ukraine on February 24, 2022, cannot therefore be explained by the NATO factor. It was a botched and heavily miscalculated attempt by Putin to subdue Ukraine, possibly with a view to merge it with Russia. It also accelerated the drift of his regime toward neo-fascism: a nationalist dictatorship based on fake democracy.

CJP: Today, Russia and China are closer than ever and are attempting to change the world order. What are the differences and similarities between the New Cold War and the Old Cold War?

GA: Part of the reply to your question is in the question itself: since 1961, China entered in a very conflictive relation with the USSR, which eventually led it to work with the United States against its "communist" rival, starting in the 1970s, until the Soviet system began to crumble.

Secondly, of Russia and China, it is the second that is the major power nowadays:

Russia maintains a top-level military capability—although it lost a lot of “credibility” with its current failure in Ukraine—but its GDP was lower than South Korea’s in 2021!

A third difference is that, whereas the Cold War was characterized by systemic opposition between two blocs, the New Cold War is not. Putin has more admirers on the far right, including Donald Trump, than there are people on the left who live in a time warp believing that Putin is Stalin’s reincarnation. China, on the other hand, is loathed by the hard right as a “communist” country. The alliance between Moscow and Beijing is not due to systemic affinities. The idea that we are witnessing a conflict between democracy and authoritarianism is but an attempt to recycle Washington’s Cold War vacuous pretense of embodying the Free World. The fact that someone like India’s far-right authoritarian ruler, Narendra Modi, is a regular star at Joe Biden’s [Summit for Democracy](#), and that Brazil’s far-right Jair Bolsonaro took part in the previous edition held in December 2021, is eloquent enough.

The main similarity is what constitutes a “cold war” in the first place: an ongoing military build-up on both sides of the fence and an ever-increasing tendency to consider international relations as a zero-sum game, whereby the three protagonists are competing for global influence.

CJP: Could this New Cold War turn hot?

GA: Well, unfortunately yes, and that is related to another difference between the New Cold War and the old. There was some degree of predictability regarding the USSR during the Cold War. Bureaucracies are conservative by nature, and the Soviet bureaucracy was no exception. It was on the defensive most of the time, including when it ventured out of its post-1945 domain for the first time by invading Afghanistan at the end of 1979. It was then terrified by the prospect of a spread of Islamic fundamentalism to the Central Asian Soviet Republics in the wake of Iran’s “Islamic Revolution.”

Things have changed with Putin. A nationalist regime, politically autocratic and economically oligarchic, is much more prone to military adventures than a bureaucratic regime. The result is that Putin has already launched more wars than the USSR had after 1945 until its demise: Chechnya, Georgia, Ukraine, Syria, to which one must add the intervention of the Wagner paramilitary group in

Libya, Sudan, Mali and the Central African Republic. The very existence of the Wagner Group is very telling about the nature of Russia's regime, where the boundaries between public and private interests are quite porous.

China, on the other hand, is still acting according to the conservative logic of its ruling bureaucracy. It hasn't yet launched any war out of its territory. It regards its actions toward Taiwan as well as its naval maneuvers in the seas surrounding its territory as defensive against US military encirclement of China and ceaseless US provocations.

As for the United States, it has launched imperial military expeditions all over the globe after 1945, including two major wars in Korea and Vietnam and several lesser interventions. It then inaugurated the end of the Cold War with a massive attack on Iraq in 1991, followed by wars in the Balkans and Afghanistan, and the 2003-2011 occupation of Iraq. It resorts intensively and illegally to "[remote warfare](#)," principally using drones. And it is more and more provocative toward China: after Russia's invasion of Ukraine, it sped up its collision course with Beijing instead of attempting to [detach it from Moscow](#).

Add to all this that Putin has been threatening to use nuclear weapons, and you get a sense of how dangerous the present world situation has become. The global arms race has reached new heights indeed. The Stockholm International Peace Research Institute (SIPRI) recently observed that [world military spending](#) has grown in 2022 to an all-time high of \$2240 billion. They added: "Military expenditure by states in Central and Western Europe totalled \$345 billion in 2022. In real terms, spending by these states for the first time surpassed that in 1989, as the cold war was ending." They also noted that "US military spending reached \$877 billion in 2022, which was 39 per cent of total global military spending and three times more than the amount spent by China." Just imagine what could be done in the fight against climate change, pandemics, and hunger with but a fraction of these enormous sums.

Source: [Originally published by Z. Feel free to share widely.](#)

Gilbert Achcar grew up in Lebanon. He is a Professor of Development Studies and International Relations at the School of Oriental and African Studies (SOAS) in London. His books include *The New Cold War: Chronicle of a Confrontation Foretold*. *Morbid Symptoms: Relapse in the Arab Uprising*; *The People Want: A*

Radical Exploration of the Arab Uprising; The Clash of Barbarisms; Perilous Power: The Middle East and U.S. Foreign Policy; and The Arabs and the Holocaust: The Arab-Israeli War of Narratives. He is a member of Anti-Capitalist Resistance.

C.J. Polychroniou is a political scientist/political economist, author, and journalist who has taught and worked in numerous universities and research centers in Europe and the United States. Currently, his main research interests are in U.S. politics and the political economy of the United States, European economic integration, globalization, climate change and environmental economics, and the deconstruction of neoliberalism's politico-economic project. He is a regular contributor to *Truthout* as well as a member of *Truthout's* Public Intellectual Project. He has published scores of books and over 1,000 articles which have appeared in a variety of journals, magazines, newspapers and popular news websites. Many of his publications have been translated into a multitude of different languages, including Arabic, Chinese, Croatian, Dutch, French, German, Greek, Italian, Japanese, Portuguese, Russian, Spanish and Turkish. His latest books are *Optimism Over Despair: Noam Chomsky On Capitalism, Empire, and Social Change* (2017); *Climate Crisis and the Global Green New Deal: The Political Economy of Saving the Planet* (with Noam Chomsky and Robert Pollin as primary authors, 2020); *The Precipice: Neoliberalism, the Pandemic, and the Urgent Need for Radical Change* (an anthology of interviews with Noam Chomsky, 2021); and *Economics and the Left: Interviews with Progressive Economists* (2021).

Is Politics All In The Mind?



*Eric Laursen -
Photo: LinkedIn*

Political partisanship has a neurobiological basis, a new study shows. It is predicted by the way our brains process basic political words or concepts.

Do conservative and liberal brains work differently? What once might have been a semi-serious topic for kitchen-table discussions of political differences has burgeoned into a lively area of research for neural scientists. Increased ability to observe brain structure and function makes this possible, but the motivation comes from the sharply more partisan political landscape of the past few decades. Communication and cooperation between parties are essential to the functioning of government and society; if political polarization arises or becomes embedded in our brain's deep wiring, understanding how becomes a matter of great importance.

A recent [study](#) exploring this timely area comes from the Carney Institute for Brain Science at Brown University and takes off from [previous research](#) showing that polarization isn't simply a matter of two political camps consuming information from different sources; exposure to opposing perspectives can actually reinforce cognitive biases, suggesting that these have a neurobiological origin.

The researchers—Daantje de Bruin, Jeroen M. van Baar, Pedro L. Rodríguez, and Oriel FeldmanHall—hypothesized that like-minded partisans interpret events the same way because they represent and experience political content similarly as well. In other [recent studies](#), political allies demonstrated synchronized neural dynamics when they consumed the same political content, but that doesn't explain what drives the similarity. The Brown researchers [trace](#) it back to something more basic: the “semantic representations” our brains create to express similarities and organize knowledge. Polarization is triggered not by how the two sides in the abortion debate argue their position, but by individuals' emotional

response to the word “abortion” itself, and the associations it carries for them: all of which occur in the brain, and specifically, the striatum and amygdala, the “regions involved in encoding value and emotional content.”

The researchers’ objective was to determine whether a shared representation of political words in the brain predicts a shared ideological affinity. They recruited 44 individuals, evenly split between liberals and conservatives, to perform two exercises: one reading, the other watching videos while undergoing functional magnetic resonance imaging (fMRI), which measures brain activity by detecting changes associated with blood flow. The first exercise was behavioral—taking place outside the brain—and the other was neural—taking place inside the brain.

In the first exercise, participants were presented with 60 words, including “abortion,” “addiction,” “American,” “health care,” “police,” “immigration,” and “welfare,” mixed with a series of animals and objects, and asked to press a button to indicate whether each word was political or nonpolitical. They then sorted each word based on its semantic or associational similarity, producing clusters around hot-button topics like immigration and abortion and politically loaded concepts like Americanness.

The second exercise asked the participants to watch three videos, two of which were included in the analysis: a neutrally worded PBS NewsHour report on abortion legislation, and a politically contentious clip from the 2016 vice-presidential debate between Democrat Tim Kaine and Republican Mike Pence. The fMRI data revealed a close connection between individuals’ ideological bent and the patterns of activity in the striatum when they heard the words “immigration” and “American,” for example. Conservatives shared one pattern of neural activity when processing the word “abortion,” and liberals exhibited another.

Those who showed greater “temporal synchronization of neural states” in response to particular words were likely to have demonstrated a similar political slant in the reading exercise as well. This dovetailed with a [previous study](#) which found that conservatives associated abortion with terms like “right to life,” “murder,” and “personhood,” while liberals associated them with “freedom to choose,” “women’s rights,” and “personal autonomy,” among others.

Polarization appears to involve a third area of the brain as well. When

participants in the [Brown study](#) viewed the segment of the vice-presidential debate on immigration, ideologically like-minded individuals exhibited similar neural activity not just in areas of the brain concerned with value and emotional content, but also in the dorsomedial prefrontal cortex (dmPFC), which is where mentalizing—the process by which we form a sense of self—takes place. According to the researchers, this means that the affective experiences taking place in the striatum and amygdala, shaped by our ideologies, help determine our most basic sense of who we are.

What the researchers found especially telling was that the results were the same regardless of context. One of the best-known theories of political polarization argues that it results from constant exposure to the same sources of information and opinion; once we engage with a particular set of news or social media outlets, we find ourselves in an echo chamber or informational community that binds us ever more tightly. In theory, exposure to other sources, or different framing of the issues, can reduce partisanship and allows us to process information more dispassionately.

The Brown study suggests this is not the case. In the reading exercise, the words were presented with no context at all; in the video-watching exercise, one of the clips was nonpartisan, the other highly partisan. And yet, the participants grouped the words and responded to them neurologically in the same way. Shared semantic representation, in other words, was the determining factor in both exercises. Or, to put it more simply, “political polarization is driven by how individuals emotionally experience and come to value political information,” the researchers [conclude](#). A word like “immigration” carries the same emotional weight for political partisans, no matter how or where we encounter it.

Some words or issues elicit a stronger reaction than others, depending on the current political climate. The strongest polarized response in the Brown study came from the word “immigration,” for example, with “abortion” a close second and “police” trailing. Individuals who made the same associations with immigration in the reading exercise tended to have the same response to the word in the amygdala. The researchers chalk this up to the fact that they collected their data in early 2019, just a few months after the Trump administration proposed the Build the Wall, Enforce the Law Act, which made immigration the hot-button political topic of the moment. Had they carried out their research later, the Black Lives Matter movement or the Supreme Court’s

decision to abandon *Roe v. Wade* might have produced a different result.

These differences in response underscore an important cautionary point, the researchers say: that political content is complex “and typically ignited in naturalistic conditions” such as watching TV or engaging with social media. Many factors come into play in determining our response when we are bombarded with a constant stream of stimulation involving highly emotional issues. But the Brown study suggests that three factors are most important: semantic representation of key words or concepts; how we segment that information into meaningful units (like immigration or abortion); and the blood flow responses, captured by fMRI, that they trigger.

This does not mean that conservative and liberal brains are different; the process of polarization works the same way no matter how one identifies politically. What the Brown study reveals instead is how deeply our brains absorb semantic representations, and how powerfully they shape our political ideology through our neural processes. If we want to restore civility and cooperation between political parties, our task is more complex than finding the right frame in which to discuss the issues.

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Eric Laursen is an independent journalist, historian, and activist. He is the author of [The People's Pension](#), [The Duty to Stand Aside](#), [The Operating System](#), and the forthcoming [Polymath: The Life and Professions of Dr. Alex Comfort, Author of The Joy of Sex](#). His work has appeared in a wide variety of publications, including *In These Times*, *the Nation*, and *the Arkansas Review*. He lives in Buckland, Massachusetts.

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Regulation Won't End Bank Crises. We Must Put Shadow Banks Under Public Control



*Costas Lapavitsas -
Photo: SOAS University
of London*

Regulations designed by banks to shield their interests will never be enough to halt banking crises, an economist warns.

Recent bank failures in the U.S. have raised the prospect of yet another financial crisis and brought about renewed calls for stricter bank regulations rules. Yet, key questions remain: Why have banking crises become an essential feature of contemporary capitalism? Are strict bank regulations in a capitalist society really the answer to a problem caused by capitalist financial institutions themselves? What should be done to tackle the problem at its root? Internationally renowned Marxist economist Costas Lapavitsas sheds light on these issues in an exclusive interview for *Truthout*.

Lapavitsas is professor of economics at the School of Oriental and African Studies University of London, and author of numerous books, including *Against the Troika: Crisis and Austerity in the Eurozone* (with Heiner Flassbeck); *The Left Case Against the EU*; *The Cost of Living Crisis (and how to get out of it)* (written with James Meadway and Doud Nicholls); and *The State of Capitalism: Economy, Society, and Hegemony* (with the EReNSEP Writing Collective).

C.J. Polychroniou: Recent bank failures have revived fears for a repeat of the global financial crisis of the late 2000s. Do we need to look back to the 2007-09 financial meltdown to understand the current banking crisis?

Costas Lapavitsas: The current financial crisis has some common features with that of 2007-09 but is also significantly different. For one thing, it is not nearly as big, though it still has some way to go as I will explain below. More significantly, the turmoil of 2007-09 was a systemic crisis of financialized capitalism, which had expanded aggressively during the previous two decades. What is currently taking place is a crisis of financialized capitalism that is now past its peak.

In the 2010s, financialization continued but without its earlier dynamism. It now relies entirely on the state, while the balance in finance has shifted away from commercial banks and toward shadow banks, i.e., financial institutions that are different from commercial banks because they do not hold deposits used as money. The current crisis has not yet brought into play the shadow banks. We will have a better idea of how serious it is when their condition becomes clearer.

In a little more detail, the crisis of 2007-09 came after an enormous housing bubble spurred by the Federal Reserve drastically lowering the rate of interest in 2001. The speculative mechanisms relied heavily on shadow banks that operated in housing and real estate markets. They [securitized](#) mortgage debt by borrowing heavily in the open markets as well as from commercial banks to securitize. Together with commercial banks, they moved aggressively into the subprime mortgage business, securitizing mortgages pushed on poor working people in the inner-city areas of the U.S.

Securitization was profitable primarily because the speculators earned fees and commissions. But the process was extraordinarily risky because mortgages taken by the poorest section of the U.S. working class were mixed with mortgages taken by others to create synthetic financial assets traded as securities in open markets. Great volumes of funds flowed between the U.S. and Western Europe as European banks also took part in the action.

The burst of the bubble that began in 2007 threatened to destroy the entire U.S. banking system. Finance was rescued because the U.S. Treasury made available to it hundreds of billions of tax dollars at the worst moment of the crisis in 2008, while the Federal Reserve supplied banks with enormous volumes of liquidity.

Without the support of the state, capitalist accumulation in the U.S. would have ground to a halt, and the world economy would have been thrown into complete disarray. The cost, needless to say, was borne largely by house-owners, mortgage holders, workers and the poor.

But state intervention in 2009 and beyond did not change the structures of financialization. Rather, it protected the key interests benefiting from the growth of finance since the early 1980s. States in the core countries of the world economy adopted austerity throughout the 2010s, worsening the provision of health and education, and exacerbating poverty. At the same time, central banks continued to provide vast quantities of liquidity to the economy in the form of quantitative easing that typically involved creating fiat money.

In the 2010s, the biggest central banks — the Federal Reserve, the European Central Bank, the Bank of Japan, the Bank of England — became truly enormous institutions through quantitative easing. At present, the largest money markets of the world economy, through which private financial institutions and large multinationals obtain liquidity, are practically incapable of operating without extensive central bank support. Through their vast intervention, central banks brought interest rates to extraordinarily low levels throughout the 2010s, an unprecedented development in the history of capitalism.

And yet, despite state intervention, capitalist accumulation at the core of the world economy remained historically feeble. In the 2010s, growth was at its weakest in decades, while average profitability floundered along. Fixed capital investment remained relatively low, and productivity growth was very poor. The engine of capitalist accumulation ran on fumes after 2007-9, and the result was the growth of “zombie firms” across core countries that were able to survive only because interest rates remained low for such a long time.

State intervention, however, allowed finance to recover in the 2010s, even though there was no bubble remotely similar to that of the 2000s. Commercial banks retreated in relative terms and had fewer opportunities for profits as the speculative mechanism of mortgage securitization was broken. The real beneficiaries of the 2010s were shadow banks, particularly the huge investment funds that came to dominate financial markets.

These are portfolio holders — asset speculators — who seek cheap funding to buy

stocks and shares in the hope of profiting from price increases, dividends and interest payments. Three of these funds currently control more than 25 percent of the entire equity capital of the U.S. This concentration of property is, again, a development without precedent in the history of capitalism.

In sum, the decade that followed 2007-9 witnessed financialization go past its peak as a historical trend, while accumulation remained weak, profitability failed to rise systematically, and there was no clear alternative direction for the world economy. This highly unstable configuration was shaken hard by COVID-19, which struck the already weakened side of production by forcing closures of firms, sending workers home, and disrupting global production chains.

We saw massive state intervention during the 2007-09 financial meltdown and no less so during the COVID-19 pandemic. Indeed, it seems that the capitalist state will always be around to bail out the financial sector, primarily thanks to the tools employed by the central banks, but it seems that crises never disappear.

Indeed, an even more extraordinary bout of state intervention compared to the preceding decade took place in 2020-21. Central banks created truly phenomenal volumes of liquidity by accelerating the quantitative easing policies practiced since 2007-09. They loaded up on public and private debt and drove interest rates practically to zero. The balance sheet of the Federal Reserve reached \$9 trillion, more than a third of U.S. GDP. States also increased fiscal expenditure to support aggregate demand and prevent unemployment from escalating. In 2020, the ratio of public debt to GDP in the U.S. exceeded 130 percent, the same level as in the Second World War.

Gigantic state intervention in 2020-21 prevented catastrophe but it did not resolve the underlying problem: that is, the weakness of accumulation. And so, it gave to the turmoil a new and more complex form that is already appearing as the current banking crisis.

Enormous state borrowing in 2020-21 created conditions for a bubble in public bonds. Both commercial banks and shadow banks took advantage of near-zero interest rates and abundant liquidity to buy government bonds and other financial assets on the assumption that interest rates would remain low and thus bond prices would stay high. Commercial banks also avidly expanded credit in 2020-21 as money became practically free. Private indebtedness grew rapidly.

This preposterous financial jamboree at a time when real accumulation was in deep trouble could not but end up in major trouble. The weakness of supply at a time when demand was strongly supported by the state led to inflation, which accelerated rapidly in 2022, approaching 10 percent in core countries. Big businesses took advantage of rising prices to maintain their profit margins, not least by speculating through further tightening supply. Wages lagged behind, and so workers' real income declined. What took place in 2022 was a gigantic transfer of income from workers to capitalists through the acceleration of inflation.

Speaking of inflation, doesn't it actually threaten the foundations of financialized capitalism?

Inflation threatens the very foundations of financialized capitalism. Big businesses can take advantage of it to raise their profits for a period, but the financial interest and lenders in general are threatened since inflation eats into the capital of lenders and disrupts their activities. The ruling elite of contemporary capitalism knows of only two methods to suppress it: first, keep wages down, thus lowering workers' real income and, second, raise interest rates. In 2022, interest rates escalated rapidly from near zero to more than 4 percent at the core of the world economy.

The trouble was that raising interest rates completely disrupted the speculative business models adopted by financial institutions in 2020-21. It soon became clear that commercial banks — such as Silicon Valley Bank (SVB), which had bought government bonds and other assets using cheap liquidity — were effectively bankrupt. The rise of interest rates, on the one hand, destroyed their profitability by increasing the cost of liquidity and, on the other, created a hole in commercial bank assets by ending the bubble in government bonds and bringing their prices down.

For the moment, intervention by the U.S. government, again committing public credit, has prevented the worst. But it is unlikely that this will be the end of the crisis. The reason is that the speculative drive into bonds permeated the financial system in 2020-21. If interest rates stay at the current high levels to bring inflation down, the possible losses on the holdings of bonds and other financial assets might be in the hundreds of billions of dollars.

Where do these losses lie? The probability is that shadow banks as well as

commercial banks are facing huge holes in their balance sheets. If this is true, the crisis has every chance of proving equally severe to 2007-9. We will only know as time goes by and the dirt comes to the surface through further shocks.

Today, just like during the 2007-09 financial meltdown, there are calls for stricter bank regulation rules. This is a rather tiresome refrain, isn't it?

The fresh crisis and the need for urgent state intervention to rescue finance have led indeed to the usual cries for tougher regulation, stronger capital requirements, harsher stress tests, and the like, to ensure that the banking system in the U.S. and elsewhere becomes "secure." It cannot be overemphasized how much nonsense such talk is, especially after four decades of repeated banking crises across the world. This type of regulatory intervention does absolutely nothing to prevent crises — SVB would have passed all tests with flying colors shortly before it collapsed. This is regulation largely designed by the banks to protect the interests of the banks, not the public.

The financialization of capitalism has witnessed the sustained growth of a private financial system that penetrates every corner of social activity. Finance periodically engages in frenzies of speculation, only to rely on public support for its rescue. Commercial banks enjoy a privileged position in this respect because they create the money that people use in everyday life. Thus, they are able to make private profits, while socializing their losses. More prudential regulation will do absolutely nothing to improve the situation.

If bank regulations rules do not work, what's the answer to banking crises which remain a constant feature of financialized capitalism and, potentially, threaten to bring down entire economies?

What should be done is indeed the critical question. Is the answer to let commercial banks fail, as some argue, replacing them with financial institutions that do not create money (essentially shadow banks)? These institutions would, presumably, provide the loans that capitalist firms — and possibly households — require in the form of financial assets to be traded in open markets. Meanwhile, the money that is necessary for economic life would be created directly by the central bank, perhaps by everyone holding an account directly with it. Prime candidates for that are central bank digital currencies, which are currently under consideration across the world.

There is nothing particularly novel about such proposals, it should be said, except for the new and modern-sounding digital currency. The notion that banks should be effectively turned into investment funds was originally proposed by the American economist Irving Fisher in the 1930s as the “Chicago Plan,” and it keeps reappearing in academic and policy circles. There are two fundamental problems with it.

First, commercial banks are extraordinarily flexible in generating the credit that is necessary for capitalist accumulation, while at the same time creating money. If they were replaced by investment funds that could not create money, the credit-generating capability of the financial system would suffer greatly. That would constrain productive accumulation, with everything this implies for workers’ employment, incomes, and so on. Financialization is already characterized by weak accumulation, and hobbling the creation of credit would make things worse.

Second, the notion that the central bank should be the sole provider of money after eliminating money created by private banks calls for the greatest caution. For the central bank to deliver this task properly, it would have to anticipate and preempt the pace of economic activity across the entire economy. In effect, it would have to become a planner on a grand scale. Furthermore, if the money created by the central bank is to be digital and provided on, say, the basis of blockchain technology, that would give to the central bank enormous capabilities to collect information about individual citizens across society. The planner would begin to acquire dictatorial powers. Be careful what you wish for.

Financialized capitalism already possesses enormously powerful central banks that are presumably “independent.” Reform in the interests of working people does not involve further strengthening of central banks. What is needed is wholesale intervention to create public banks that do not operate speculatively but are subject to effective regulation of interest rates and volumes of credit, while being imbued by a spirit of public service. At the same time, the enormously expanded shadow banks should be brought under control, and democratization should take place at the central bank. On this basis, the weakness of the productive sphere should be tackled head on through policies that shift the balance in favor of public property. That is the path to overturning the destructive financialized capitalism of our times.

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Even As They Protest, Israeli Liberals Reject Solidarity With Palestinians



*Idan Landau -
Photo: Ben-Gurion
University*

Israel's far right is growing, fueled by propaganda. Meanwhile, liberal protesters are tearing down Palestinian flags

Why are liberal Israeli protesters working with Israeli police to rip down Palestinian flags whenever anti-occupation activists attempt to raise them in the context of the widespread anti-government protests in Israel?

There's a structural reason why the occupation of Palestine is absent from the mainstream liberal agenda of the protests, says Israeli academic and left-wing activist Idan Landau: "The leading figures and speakers in these protests are routinely members of the legal, economic and military elites, all of whom were and are intimately implicated in maintaining the occupation."

The anti-government protests, which will [likely reignite](#) this week in the lead-up to Israel's 75th Independence Day, have been led by Israeli liberals upset with Prime Minister Benjamin Netanyahu's far right nationalist coalition and its attempt to curb the powers of Israel's judiciary.

Israeli democracy, which has always excluded Palestinians under military occupation, has been in accelerated decline over the last couple of decades. Israel's far right has grown to extremely worrisome levels, with today's government of Benjamin Netanyahu being nothing short of a band of religious and racist zealots; in fact, some of them have even openly [supported](#) pogroms against Palestinian people.

Indeed, as Israeli academic and left-wing activist Idan Landau stresses in this exclusive interview for *Truthout*, racism and extremism have spread to a wide

range of the population, especially among the youth.

Landau is a professor of linguistics at Ben-Gurion University and writes a political blog (in Hebrew) on Israeli affairs. He has been imprisoned on several occasions for his refusal to serve in the Israel Defense Forces reserves.

C.J. Polychroniou: Israel has been moving further and further to the right over the last couple of decades to the point that today's government is beyond extreme. It is indeed a government pushing a hard-right agenda unlike anything that Israel has seen before. How do you explain Israel's far right shift, and especially the fact that the overwhelming majority of young Jewish Israelis [identify as right-wing](#)?

Idan Landau: A combination of factors, none of which is new, but all increasing in impact over the years. The major current shift is the sheer disregard to "civilized" rules of conduct; the liberal masks are falling off, like the ceremonial respect to the supreme court, or the ritualistic reference to the "two-state solution." These were hollow rhetorical practices for a long while now, but up until the recent government, there were forces in the leadership (like [Yair Lapid](#) and even [Naftali Bennett](#)) who adhered to them. [Finance Minister and head of the Religious Zionism Party] [Bezalel Smotrich](#) and his kin simply dismiss such niceties, and the world, mostly exposed to Israeli politicians rather than to a deeper cross-section of the Israeli public, is shocked to learn of the deep-seated racism and rising populism within the larger Jewish population.

So, what are these factors? First, increasing religiosity, which in Israel translates to a particular xenophobic, "all-the-world-is-against-us," Holocaust-driven self-righteous version of Judaism. One reason has to do with demographic trends: 35 percent of the Jews in Israel define themselves as religious; over a third of them (13.3 percent) are Orthodox Jews. This last group boasts the fastest growth in size in developed countries, 4 percent a year (due to their preference for larger families), and they alone are expected to comprise a third of the entire population of Israel by 2065. This shift is more dramatic in younger ages: By 2050, a third of the pupils in Israel will be educated in Orthodox schools. Polls repeatedly and consistently find that the most racist and nationalistic portion of the Jewish population is exactly those Orthodox Jews.

Second, public education in Israel has rapidly sunk into a nationalistic propaganda mire. Historical events and narratives inconsistent with official

Zionist ideology have been gradually expunged from textbooks, often to absurd degrees. For example, Israeli pupils have no idea about “the green line” — Israel’s only internationally recognized border — because all the geographical maps approved for schools by the ministry of education have purposefully been purged of the green line. So they grow up without knowing of the distinction between “Israel” and “the occupied territories,” they know nothing about the fact that nearly 3 million Palestinians are subject to military law, nothing about land grabs (by the state or by settler outlaws), nothing about the fact that most of the military roadblocks are not placed on Israel’s border (the green line) but deep inside Palestinian territory, etc. Add to that the compulsory military service, which is *the* most effective agent of indoctrination in Israel, driving Jewish youth to see Palestinians as an undifferentiated mass of enemies, to be controlled, confined, checked, punished and subdued — and the product you get by the end of this assembly line is a perfectly loyal devotee of Jewish superiority. With all that baggage they go to the ballot, and that’s how you end up with extreme right-wing parties in power.

Of course, racism and political systems engage in a feedback loop. Not only does racism promote systems of injustice and inequality, but the need to maintain and expand these systems *cultivates* racism in its turn, because one must dehumanize one’s victims in order to go on functioning within and in the service of such systems.

Like elsewhere, the Israeli left is not a unified movement. Is this the reason why the Israeli left is marginalized?

I don’t think so. Even if you manage to pull together all the leftist forces in Israel (by which I don’t mean “anti-Netanyahu,” but people truly committed to justice for Jews and Arabs), you will still end up with a negligible minority. All those human rights groups that have some international visibility — B’Tselem, Breaking the Silence, etc. — employ no more than 500 people altogether.

The left is inclined to periodic fits of self-flagellation, or finger-pointing toward internal elements declared guilty of its impotence. I find these practices a boring nuisance.

The sad truth is that the bedrock of the left — the simple principles of justice, equality, freedom, the sacred value of human life — are in themselves unpopular

amongst Israelis. “Unpopular” in the sense that they are all deemed inferior to grander principles, deriving from the privileged rights of Jews in the land of Israel. Whatever the “organizational” faults of the fragments of the left are, they are overshadowed by the powerful opposition they *all* face from the Israeli consensus.

This opposition operates in various ways. The public legitimacy of human rights organizations is gradually eroded by relentless campaigns of defamation, all of which originate in the government itself. So-called GONGOs (government-operated NGOs), such as “Im Tirtzu” and “NGO Monitor,” are entirely dedicated to persecuting leftist activists, academics, artists, etc. Municipalities constantly bar their institutions from hosting events or lectures by political dissidents. The Israeli counterpart of *Fox News*, *Channel 14*, now ranks second in ratings. This is Netanyahu’s home base, an outlet that spews out naked propaganda and fake news every single day. Large chunks of the programming are aimed at demonizing human rights groups, Arab members of the Knesset, or generally, any critic of Israeli policies. A frequent sight these days (which was not so common a few years ago) is street gangs using “Leftist!” calls as an abominable insult, chasing and beating demonstrators that simply stand in solidarity with Palestinians.

In addition, mainstream liberal Israelis — that dormant mass of people who just want to go on with their convenient lives with no disturbances — would go out of their way to condemn the radical left, to dissociate themselves from any struggle that dares to include the Palestinian perspective, and would insist on fighting for “democracy” with no representatives of the most immediate victims of this “democracy,” namely Arabs (inside Israel or in the territories). I believe that it is this mainstream hostility toward the vision of the radical left that is chiefly responsible for its marginality; it becomes more and more difficult to just get these messages through, to win precious prime time on TV and even report daily atrocities occurring in the territories, let alone express nonconsensual views.

Of course, one has to remember permanent anomalies of the Israeli left, that go years back. A major one is the extreme weakness of labor unions, a reflection of a hyper-capitalist market based on short-term jobs. Unions normally provide the infrastructure necessary for long-term protests, but they are completely absent from major struggles for human rights in Israel, and in fact, the biggest union (the “Histadrut”) is dominated by the right-wing Likud party. That is, it sides with

government.

Massive protests forced Prime Minister Benjamin Netanyahu to suspend his divisive judicial reform plan. Do you think his plan to undermine judicial independence by controlling the composition of the country's Supreme Court is really finished?

Not at all. The upcoming weeks will be quite critical. Netanyahu's coalition will not survive retraction of the reform; and his only chance of avoiding conviction (and jail) depends on keeping this coalition together and passing the reform. So it's all or nothing for him. Meanwhile (and this is obviously not a coincidence), the borders are heating up with military clashes, invasions to Palestinian cities are intensified, terrorist attacks too. All this chaotic ecosystem, with a populace under a growing sense of insecurity and stress, surely plays in Netanyahu's favor. Drastic changes in the regime are more easily implemented in such times, as we know very well from the historical record. I will not venture any guesses here, whether we're stepping into a constitutional or a military crisis, but the game is far from over, in my opinion.

How do liberal and left groups relate to the occupation in their protests and opposition to the far right?

As I mentioned, the occupation is entirely absent from the mainstream liberal agenda of the protests. This is to be expected, given that the leading figures and speakers in these protests are routinely members of the legal, economic and military elites, all of whom were and are intimately implicated in maintaining the occupation. So most Israelis felt not the slightest dissonance to see in these demonstrations Moshe Ya'alon, former chief of staff and defense minister, who was in charge of major war crimes during the invasion of Gaza [in] the summer of 2014, warn against the "risks to democracy" implied by the recent legal reform.

Notably, legal experts (including former judges of the supreme court) constantly focus on the pragmatic harm of the reform: Without the cloak of a functioning, independent legal system that can investigate war criminals and put them on trial, Israeli military officials will be exposed to prosecution at the International Criminal Court in The Hague. In short, their plans to travel abroad are at risk. The issue of whether or not they *are* war criminals that *should* have been indicted in Israel is not even discussed. Other absurdities involve ex-Shabak officials

(Shabak is the Israeli Security Agency, its domestic secret service), whose careers were founded on secrecy, extortion and sometimes torture, expressing concern over the “anti-democratic” nature of the reform. All of that takes place within the “liberal” camp in the protest, which is by far the dominant one.

So for the most part, the occupation does not concern the protest. Yet there is a consistent representation of anti-occupation groups within the protests, which I think is quite important. They insist on raising Palestinian flags, which is considered “a provocation,” so both liberal demonstrators and cops would often approach them and violently tear down the flags. Yet they raise them again and again, together with signs like “There is no democracy with occupation,” and these are gradually being tolerated; the liberals learn (it’s always a painful process for them) that the mere visibility of Palestinian people or symbols in the struggle for democracy is, perhaps, somehow relevant. The pragmatic pretext (“You weaken the protest, you drive away potential supporters”) was seen to be false. As it often happens, the radical left has to turn its efforts from calling for justice and equality to fighting for the legitimacy of expressing such calls in the public arena.

Some activists report that their spontaneous encounters with liberal demonstrators on the street, their solidarity against the police (whose violence does not distinguish radicals from liberals), do make the liberals rethink Zionist dogmas, understand what state violence looks like, and gradually broaden their concept of democracy to include non-Jews. That may be true, but it’s hard to tell what the long-term consequences will be. In point of fact, Israeli Arabs are almost entirely absent from these protests; being second-class citizens in their own country, they recognize well enough that this protest does not challenge the inherent ethnocratic nature of the Jewish state, but is rather an internal conflict between Jewish elites over the distribution of power amongst themselves.

By that I don’t mean to underestimate the dramatic and even historic significance of such an unprecedented mass protest against a ruling government in Israel. I just want to point out that the occupation and the rights of Palestinians hardly make it to the front line in these developments. So even if the protest succeeds in toppling down Netanyahu’s coalition, the emerging political order in the aftermath is not likely to address these fundamental issues.

One argument that the left has not been able to communicate vividly enough, I’m

afraid, is that the legal reform has two prongs: One is to undermine the independence of the judicial branch; but no less important is the creeping annexation of area C in the occupied territories, as evidenced by the appointment of Smotrich — a far right extremist who openly advocates the dispossession and transfer of Palestinians — to be in charge of the COGAT, the administrative agency regulating the lives of all Palestinians under Israeli control. Smotrich plans, and has already started, to execute far-reaching changes in area C, which were previously hindered by appeals to the Supreme Court and by intricate legal proceedings, sometimes lasting years.

A politically biased supreme court, controlled by a right-wing coalition and incapable of overriding parliamentary bills in violation of international law, will no longer impede these very grave crimes (it never really *prevented* them, but the Israeli fascists are both greedy and impatient). To my mind, the reform is just as much about insulating prospective war crimes from internal judicial inspection as it is about saving Netanyahu's political career. The big challenge of the left is to make the greater Israeli public see and understand these links (and others) in this unfolding regime change.

Is it possible to see what the future holds for Israel?

It is hard to make out details in the darkness, you know.

This interview has been lightly edited for clarity.

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Obsolete Cold War Attitudes Are Holding Europe Back



*Fiona Edwards - Photo:
Twitter*

Instead, an independent foreign policy is desperately needed—and gaining support.

Recently, the United States has been followed by a number of European countries in supporting a cold war policy toward Russia and China. This has created increasing problems in Europe—bringing a major war to the continent, creating serious economic difficulties, and intensifying a decline in living standards.

In this context, the case for Europe establishing an independent foreign policy has gained support, as a way of ensuring security and prosperity.

The U.S. Brings Hot War to Europe

Starting with the most extreme expression of the situation, the war in Ukraine has claimed tens of thousands of lives. The UN calculates nearly [18 million people](#) need humanitarian assistance and millions have been displaced.

This tragedy was avoidable. The underlying cause of the war was the U.S. policy to expand NATO up to Russia's border, including the proposal that Ukraine join NATO when Russia has repeatedly made clear that that is a 'red line' threat to its security interests. The U.S. continued to push for NATO expansion despite this.

The absence of an independent European foreign policy has been demonstrated in the policy of major European governments during the past year, with these governments supporting U.S. policy in Ukraine.

This has been extraordinarily expensive. In 2022, NATO powers allocated huge sums to Ukraine—about [18 million people](#) from the U.S., [€52 billion](#) from the EU and its member states, and [£2.3 billion](#) from Britain. In 2023, there has been an escalation in military aid sent. After pressure from the U.S., Germany approved the deployment of their Leopard tanks, while the British government is sending depleted uranium munitions.

Militarization in Europe is clearly on the rise, in the past year, with major European governments increasing military spending—something the U.S. has called for over many years.

Last year, German Chancellor Olaf Scholz pledged [€100 billion](#) in military spending, committing Germany to spend 2 percent of GDP on defense going forward. President Emmanuel Macron is increasing France's military spending to around [€60 billion by 2030](#)—approximately double 2017's allocation. Britain, historically the U.S.'s closest European ally, already spends [2.2 percent of GDP](#) on the military, [£48 billion a year](#).

The U.S., in turn, has [100,000 troops](#) stationed in Europe and numerous military bases, [including 119 in Germany](#).

The impact of this has negatively affected Europe's interests. Without an effort to negotiate peace in Ukraine, rather than escalation, many will die and be displaced. Meanwhile, across Europe, there is an impact of high energy prices as a result of sanctions on Russia, while increased military spending diverts

resources away from addressing the cost-of-living crisis. Europe has become more dangerous and poorer.

The U.S. has not supported recent proposals for peace in Ukraine, such as those from China, which means a prolonged war. European countries could pursue a different path and play a role in backing negotiations to end the conflict.

Global Cooperation Is the Key to Economic Prosperity

Economically, Europe faces a parallel crisis. Slow economic growth, high inflation, and government austerity policies are hitting living standards while some European governments' policies toward Russia and China have made the situation worse.

Europe has been seriously damaged by participation in sanctions against Russia. These have increased energy prices while the U.S. has profited from selling more expensive liquefied gas to Europe to replace cheaper Russian gas delivered by pipelines. Journalist Seymour Hersh has made a serious case that the U.S. was also responsible for blowing up the Nord Stream pipelines between Russia and Germany. But European governments have failed to support the call for an independent investigation into this attack on Europe's energy infrastructure.

The U.S. has also urged Europe to pursue a more anti-China posture. This recently led to Europe's relationship with China deteriorating. The Comprehensive Agreement on Investment between China and the EU, agreed in principle in December 2020, has not been signed despite the economic opportunities it opens for Europe. European governments are also being asked to join the U.S. attacks on China's technology industry, some recently banning TikTok from government work phones with pressure for a wider ban.

The economic consequences of this direction would be serious for Europe. China is the EU's largest trading partner and the most rapidly growing major economy. The IMF's latest [growth projections for 2023](#) estimate China will grow by 5.2 percent—six times faster than the euro area's 0.8 percent. The potential benefits for Europe of increasing win-win economic cooperation with China are therefore considerable.

The Struggle for an Independent Foreign Policy

The U.S.'s new cold war policy has therefore tended to produce chaos in Europe. In light of this, there are now signs some major European politicians do not wish

to continue down this course.

President Macron made a widely reported comment following his April 2023 visit to China. [He stated](#) that Europe must not be a “follower” of the U.S. when it comes to Taiwan, a key issue, and should instead pursue “strategic autonomy.” This followed significant economic deals struck between France and China during Macron’s visit. It remains to be seen whether Macron will have the political strength to follow through on such an independent approach, particularly given the backlash these comments immediately received from Washington.

In March 2023, Spain’s Prime Minister Pedro Sánchez struck a similarly independent tone, [stating](#), “Relations between Europe and China do not need to be confrontational. There is ample room for win-win cooperation.”

Globally, the pursuit of an independent foreign policy is a growing trend. Such an approach has sustained peace in Asia with most countries focusing on economic development rather than confrontation. The recent breakthrough restoring diplomatic relations between Saudi Arabia and Iran, established with China aiding negotiations, opens up the possibility of overcoming a number of conflicts in the Middle East. In Latin America, Lula’s recent reelection in Brazil strengthens the political forces in favor of regional independence and development.

Trends in Europe seeing an independent foreign policy as important for the region’s future are therefore in line with this overall global development.

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Japan Signals An Attitude Shift To The Growing Power Of The Global South



*Vijay Prashad - Photo:
Twitter*

In mid-April, the Japanese Ministry of Foreign Affairs released its [Diplomatic Bluebook 2023](#), its most important guidebook on international affairs. Japan's foreign minister, Yoshimasa Hayashi, wrote the foreword, which begins: "The world is now at a turning point in history." This phrase is key to understanding the Japanese approach to the war in Ukraine. Hours after Russian forces entered Ukraine, the Japanese government signed the G7 [statement](#) that condemned the "large-scale military aggression" and called for "severe and coordinated economic and financial sanctions." The next day, Hayashi [announced](#) that Japan would sanction "designated individuals related to Russia," freeze assets of three Russian banks, and sanction exports to Russia's military. In its *Diplomatic Bluebook 2022*, Japan [condemned](#) Russia and urged the Russian government to "withdraw its troops immediately, and comply with international law." Russia's war, the Japanese argued, "shakes the very foundation of the international order," an order whose attrition, as the new *Bluebook* argues, has brought the world to this "turning point."

National Interests

Despite all the talk of sanctions, Japan continues to import energy from Russia. In 2022, 9.5 percent of Japan's imported liquefied natural gas [came](#) from Russia (up

from 8.8 percent in 2021). Most of this energy came from Russia's Sakhalin Island, where Japanese companies and the government have made substantial [investments](#). In July 2022, Hayashi was asked about Japan's continued imports from Sakhalin-2. His [answer](#) was clear: "Sakhalin-2 is an important project for energy security, including the stable supply of electricity and gas in Japan." Since July, Japan's officials have [continued](#) to emphasize Japan's national interests—including through the Sakhalin-2 natural gas project—over its obligations to the G7 and to its own statements about the war. In August 2022, the Japanese government asked two private firms—Mitsui and Mitsubishi—to deepen its involvement in Russia's Sakhalin-2; "We will respond by working with the public and private sectors to protect the interests of the companies and secure [a] stable supply of liquefied natural gas," [said](#) former Minister of Economy, Trade and Industry Kōichi Hagiuda.

In March 2022, Kyodo News [reported](#) that a leaked version of the *Diplomatic Bluebook 2022* used a rather startling phrase—"illegal occupation"—to describe Russian control over islands north of Hokkaido. The Japanese government had not used that [phrase](#) since 2003, largely because of increased diplomatic activity between Japan and Russia driven by the collaboration over the development of Sakhalin-2. As it turned out, the draft that Kyodo News had seen was altered so that the official *Diplomatic Bluebook* of 2022 did not use this phrase. Instead, the *Bluebook* noted that the "greatest concern between Japan and Russia is the Northern Territories issue," which "is yet to be resolved." Japan could have taken advantage of the Western animosity against Russia to press its claim on these islands, but instead, the Japanese government merely hoped that Russia would withdraw from Ukraine and return to "negotiations on a peace treaty" regarding the islands north of Japan.

Three New Points

The *Diplomatic Bluebook 2023* makes three important points: that the post-Cold War era has ended, that China is Japan's "greatest strategic challenge" (p. 43), and that Global South countries must be taken seriously. The *Bluebook* highlights Japan's confusion, caught between its reliance upon Russian energy and the growing confidence of the Global South.

The *Bluebook* from 2022 noted, "The international community is currently undergoing an era-defining change." Now, however, the *Bluebook 2023* points to the "end of the post-Cold War era" (p. 3), which is illustrated by the collapse of

the U.S.-led world order (which both the United States and Japan [call](#) the “rules-based international order”). Washington’s power has declined, but it is not clear what comes next.

Anxiety about the growing role of China in Asia is not new for Japan, which has long contested the Diaoyu (China)/Senkaku (Japan) islands. But now, there is a much more pronounced—and dangerous—assessment of the situation. The *Bluebook 2023* notes the close alignment between China and Russia, although it does not focus on that strategic partnership. Rather, the Japanese government focuses on China, which it now sees as Japan’s “greatest strategic challenge.” Even here, the Japanese government acknowledges that the two countries “have held a series of dialogues to discuss common issues.” The “efforts of both Japan and China” are important, says the *Bluebook*, to build a “constructive and stable” relationship (p. 43).

Finally, the Japanese government accepts that there is a new mood in the Global South, with countries across Africa, Asia, and Latin America [unwilling](#) to submit any longer to the will of the Western states. In January 2023, a reporter from Yomiuri Shimbun [asked](#) the Foreign Ministry’s press secretary Hikariko Ono how Japan defined the “Global South.” Her tentative reply is instructive. “The Government of Japan does not have a precise definition of the term Global South,” she said, but “it is my understanding that in general, it often refers to emerging and developing countries.” The Ministry of Foreign Affairs, she noted, must “strengthen engagement with the Global South.” In the *Bluebook 2023*, the Japanese recognize that Global South countries are not following the Western position on Ukraine and that berating the countries of the Global South raises accusations of “double standards” (wars by the West are acceptable, but wars by others are unacceptable) (p. 3). Japan will promote multilateralism, building “an inclusive approach that bridges differences.” A new “attitude is required,” says the *Bluebook*.

In March, Japan’s Prime Minister Fumio Kishida met with President Volodymyr Zelenskyy in Ukraine. Both sides [said](#) that they were working to share security information, but Japan once more [refused](#) to send weapons to Ukraine. A few weeks after Kishida left Ukraine, Mitsuko Shino, Japan’s Deputy Permanent Representative to the United Nations [warned](#) in a guarded statement about the “risks stemming from violations of the agreements regulating the export of weapons and military equipment” and about the importance of the [Arms Trade](#)

[Treaty](#). Japan remains caught in the horns of its own dilemma.

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