

Washington Blows Itself Up With Its Own Bomb. US Strategy Backfires

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These are sad days in Washington and Wall Street. The once unchallenged sole Superpower at the collapse of the Soviet Union some quarter century ago is losing its global influence so rapidly that most would not have predicted anything comparable six months ago. The key actor who has catalyzed a global defiance of Washington as Sole Superpower is Vladimir Putin, Russia's President. This is the real background to the surprise visit of US Secretary of State John Kerry to Sochi to meet with Russian Foreign Minister Sergei Lavrov and then a four hour talk with "Satan" himself, Putin.

Far from a "reset" try, Washington's hapless geopolitical strategists are desperately trying to find a better way to bring the Russian Bear to her knees.

A flash back to December 2014 is instructive to understand why the US Secretary of State holds out an apparent olive branch to Russia's Putin at this juncture. At that point, Washington appeared about to pin Russia to the ground, with its precision targeted financial sanctions and its deal with Saudi Arabia to collapse oil prices. In mid-December the Ruble was in free fall against the dollar. Oil prices were similarly plummeting down to \$45 a barrel from \$107 only six months earlier. As Russia is strongly dependent on oil and gas export revenues for its state finances, and Russian companies held huge dollar debt obligations abroad, the situation was bleak as seen from inside the Kremlin.

Here fate, as it were, intervened in an unexpected way (at least by the USA architects of the financial warfare and oil collapse strategy). Not only was John Kerry's September 2014 deal with ailing Saudi King Abdullah delivering heavy pain in the Russian finances. It was also threatening an explosion of an estimated \$500 billion in high-risk-high-yield "junk" bonds, debt that the US shale oil industry had taken on from Wall Street banks in the past five years to finance the much-touted US shale oil revolution that briefly propelled the USA ahead of Saudi Arabia as the world's largest oil producer.

US strategy backfires

What Kerry missed in his clever Saudi horse trading was the sly double agenda of the Saudi royals. They had earlier made clear they did not at all want their role as world premier oil producer and market king to be undercut by an upstart US shale oil industry. They were happy to give Russia and also Iran pain. But their central aim was to kill the US shale oil rivals. Their shale projects were calculated when oil was \$100 a barrel, less than a year ago. Their minimum price of oil to avoid bankruptcy in most cases was \$65 a barrel to \$80 a barrel. Shale oil extraction is unconventional and more costly than conventional oil. Douglas-Westwood, an energy advisory firm, estimates that nearly half of the US oil projects under

development need oil prices greater than \$120 per barrel in order to achieve positive cash [flow](#).

By end of December a chain-reaction series of shale oil bankruptcies threatened to detonate a new financial tsunami at a time the carnage from the 2007-2008 securitization financial crisis was anything but resolved. Even a few high-profile shale oil junk bond defaults would have triggered a domino-style panic in the US \$1.9 trillion junk bond debt market, no doubt setting off a new financial meltdown that the over-stressed US Government and Federal Reserve could scarcely handle. It could have threatened the end of the US dollar as global reserve currency.

Suddenly in the first days of January, IMF head Lagarde was praising Russia's central bank for its "successful" handling of the ruble crisis. The US Treasury Office of Financial Terrorism quietly eased off on further attacks on Russia while the Obama Administration pretended it was "World War III as usual" against Putin. The US oil strategy had inflicted far more damage on the US than on Russia.

USA Russia policy failure

Not only that. Washington's brilliant total war strategy against Russia initiated with the November 2013 Kiev EuroMaidan coup d'état has become a manifest, utter failure that is creating the worst imaginable geopolitical nightmare for Washington.

Far from reacting as a helpless victim and cowering in fear before the US efforts to isolate Russia, Putin initiated a brilliant series of foreign economic, military and political initiatives that by April added up to the seed crystal of a new global monetary order and a new Eurasian economic colossus to rival US sole superpower hegemony. He challenged the very foundations of the US-dominated dollar system and her global world order everywhere from India to Brazil to Cuba to Greece to Turkey. Russia and China signed mammoth new energy deals that allowed Russia to redirect its energy strategy from the west where the EU and Ukraine, both under strong Washington pressure, had sabotaged Russian EU gas deliveries via Ukraine. The EU, again under intense Washington pressure threw one monkey wrench after another into Gazprom's South Stream natural gas pipeline project to southern Europe.

Rather than be defensive, Putin shocked the EU during his visit to Turkey and meeting with President Erdogan when he announced on December 1 that he had cancelled Gazprom's South Stream project. He announced he would seek an agreement with Turkey to deliver Russian gas to the Greek border. From there, if the EU wants the gas they have to finance their own pipelines. The EU bluff was called. Their future gas needs were more remote than ever.

The EU sanctions on Russia also backfired as Russia retaliated with a ban on EU food imports and a turn to Russian self-sufficiency. And billions of dollars of contracts or exports from German firms like Siemens or France's Total were suddenly in limbo. Boeing saw large aircraft orders to Russian carriers cancelled. Russia announced it was turning to national suppliers in production of critical defense components.

Then Russia became an "Asian" charter member of China's remarkably successful new Asian Infrastructure Investment Bank (AIIB) designed to finance its ambitious New Silk Road Economic Belt high-speed rail network across Eurasia into the EU. Rather than isolate Russia, US policy backfired badly as, despite strong pressures, US staunch allies including

Britain, Germany, France and South Korea all rushed to join the new AIIB.

Further, at their May meeting in Moscow, China's President Xi Jinping and Vladimir Putin announced that the China silk road rail infrastructure would be fully integrated with Russia's Eurasian Economic Union, a staggering boost not only to Russia but to Eurasia into China, a region containing the majority of the world's population.

In short, by the point John Kerry was told to swallow hard and fly to Sochi, hat in hand, to offer some kind of peace pipe to Putin, US leading circles, the American Oligarchs had realized their aggressive neo-conservative warhawks like Victoria "F**k the EU" Nuland of the State Department and Defense Secretary Ash Carter were propelling the creation of a new alternative world structure that could spell the ruin of the entire post-Bretton Woods Washington-dominated Dollar System. Oops.

In addition, by forcing her European "allies" to toe the US anti-Putin line, to the severe detriment of EU economic and political interests, alone her vigorous participation in the New Silk Road Economic Belt project and the economic boom in investment that will bring with it, Washington's neo-conservatives have managed also to accelerate a probable parting of the ways between Germany, France and other Continental European powers to Washington.

Finally, as the whole world (including even Western anti-Atlantists) came to view Putin as the symbol of resistance to the American dominance. This perception first emerged at the time of the Snowden story but has solidified after the sanctions and blockade. Such perception, by the way, plays a significant psychological role in the geopolitical struggle – the presence of such a symbol opens up novel venues in the fight against the [hegemony](#).

For all these reasons, Kerry was clearly sent to Sochi to sniff out possible soft points for a renewed assault in the future. He told the rogue US-backed lunatics in Kiev to cool it and respect the Minsk cease-fire accords. The demand came as a shock in Kiev. US-installed Prime Minister Arseniy Yatsenyuk told French TV, "Sochi is definitely not the best resort and not the best place to have a chat with Russian president and Russian foreign [minister](#)."

At this juncture the only thing clear is that Washington has finally realized the stupidity of its provocations against Russia in Ukraine and globally. What their next scheme will entail is not yet clear. Clear is that a dramatic policy shift has been ordered on the Obama administration from the highest levels of US institutions. Nothing else could explain the dramatic shift. If sanity replaces the neo-con insanity remains to be seen. Clear is that Russia and China are resolute about never again leaving themselves at the mercy of an incalculable sole superpower. Kerry's pathetic attempt at a second Russia "reset" in Sochi will bring Washington little at this point. The US Oligarchy, as Shakespeare's Hamlet put it, is being "hoist with their own petard," as the bomb maker blows himself up with his own bomb.

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