

The world after the Budapest cancellation

The financial and geopolitical world order in times of impending unrest

by Alastair W. Crooke*



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(Picture ma)

Trump's attempt to build a "Budapest scenario" (i.e. a Putin-Trump summit grounded on the earlier Alaska "understanding") was unilaterally cancelled (by the US) amid acrimony. Putin had initiated the 2.5 hr Monday call. It reportedly contained tough talking by Putin about the lack of US

preparation towards a political framework – both in respect to Ukraine, but crucially also in respect to Russia's wider security needs.

However, when it was announced by the American side, *Donald Trump's* proposal had reverted (yet again) to the *Keith Kellogg* (the US Ukraine Envoy) doctrine of a "frozen conflict" on the existing Contact Line *preceding* any peace negotiations – *not vice versa*.

Situation in Eastern Europe

Trump must have known well before the Budapest talks were mooted that this Kellogg doctrine had been rejected, time after time, by Moscow. So why did he repeat the demand for it again? In any event, the Budapest summit scenario had to be cancelled after the pre-agreed "set-up" call between Foreign Minister *Sergey Lavrov* and Secretary of State *Marco Rubio* ran up against a wall. As Lavrov again insisted that a Kellogg-style ceasefire in place would not fly.

It seems that the US Administration expected that its threats to supply Ukraine with *Tomahawk* missiles amid toughening US rhetoric of deep strikes into Russia would be pressure enough to have Putin agree a freeze in the here and now format, with all discussion of details and a wider solution postponed, *sine die*.

Russian military analysts reportedly told *Vladimir Putin* that Trump's threats were bluff – even if the *Tomahawk* supplies were made available, the quantity would be limited and would not inflict any tactical or strategic defeat on Russia.

The course of events implies that either Trump did not grasp this Russian "reality" – despite two years of repetition that Russia would not budge on a "here and now freeze". Or alternatively, that the "dark money" interests came down hard on Trump, telling him that a real peace process with Russia was not allowed. So Trump cancelled the whole scenario, muttering to the media that a Budapest meeting would have been "a waste of time" – leaving his Administration (US Treasury Secretary *Bessent*) to announce new sanctions on Russia's largest oil companies, accompanied by a call to allies to join with them.

Let us recall – the "Russian" reality is that Putin would not want to repeat the mistake of 1918, when Russia signed the humiliating *Brest-Litovsk* peace, under pressure from Germany. Putin often repeats that it was precisely the pressures to "let's just stop" in 1918 that cost Russia its status as a major power and lost it entire generations of Russians. The colossal effort of millions of people was exchanged for the humiliating *Brest-Litovsk* peace. Chaos and collapse followed.

Putin remains focussed on achieving a new Europe-wide security architecture, though Trump's capriciousness and unseen constraints must put new calls by Putin or meetings into question. Putin is angry – many Russian "red lines" have been crossed; escalation is coming – perhaps at an unprecedented level.

The Europeans, undaunted by the Budapest meeting cancellation, are touting a "new/old" twelve point plan that would rule out territorial concessions and would prescribe a ceasefire along the current front lines. The western Ruling Strata are making matters abundantly clear: Russia must be defeated. Escalation has already begun: New EU sanctions on Russian gas imports into the EU have been announced and overnight strikes on oil refineries in Hungary and Romania (the latter being a NATO state) were launched.

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Again, the message to EU states is clear: no backsliding. Polish Prime Minister Donald Tusk underlined on X the point: *"All Russian targets in the EU are legitimate"*. The EU is clearly willing to go to any length to make war on *its own* to compel adherence.

Given that the Kiev side finds it impossible to contemplate resiling from any part of its territory – whilst Russia retains the preponderance of hard force – it is hard to see how any *negotiation* is feasible at this time. Likely, Ukraine will be settled by a trial of strength. The EU urgency to its attempt to win Trump to its side likely reflects its fear of the accelerating and accumulating Russian military victories.

Situation in East Asia

All this Russia turmoil is occurring as Bessent heads to Kuala Lumpur to challenge China's response to the US' sudden extension (after holding apparently promising trade talks) of export controls to tech products imported by China. China riposted by promulgating rare earth controls in retaliation.

An angry Trump exploded – threatening China with 100% tariffs. The US stock market, following a well-worn pattern, initially crashed, but Trump quickly posted an upbeat announcement in time for the opening of the "futures market", and buyers piled in, with stocks hitting record highs. For Americans, all was well.

However, last Monday, Trump's eulogistically positive language towards China – unexpectedly shot-up to volume "11":

"I think when we finish our meetings in South Korea [with Xi], China and I will have a really fair and really great trade deal together", Trump said. He voiced hope that China would resume purchases of American soybeans after imports by Beijing plunged amid the tariff standoff. He also urged China *"to stop with the fentanyl"*, accusing the Chinese authorities of failing to curb exports of the synthetic opioid and its chemical precursors.

And just to ensure that the stock market rocketed to yet a new record high, Trump added that he doesn't think that "China wants to invade Taiwan".

However, now that Moscow has effectively put a stop to the US "Budapest" scenario, the question is: Will President Xi too decide that continuing with Trump capriciousness is not worth the inevitable angst (the meeting in South

Korea is unconfirmed at this point). And angst seems likely to soar.

Perhaps however, Trump's shift to such excessively positive language towards China reflects something else: A shock development for Trump and the US possibly?

A surprising turn in Japan's foreign policy

The newly inaugurated Prime Minister of Japan, *Sanae Takaishi*, had widely been expected, on taking office, to deliver strong anti-China rhetoric; to strengthen the alliance with the US; to boost Japan's military power; and to contain Beijing.

Yet, the opposite happened.

In her first address to the nation, Takaishi said that she would not support the US trade war against China, and would not become an instrument of US economic pressure. She openly criticised Trump's tariff policy, calling it *"the most dangerous mistake of the 21st century"*.

Reuters commented that her stance was wholly unexpected in Washington. A big shock. It emerged that since taking office, the new PM had held a series of meetings with the largest Japanese corporations who had conveyed a unified and urgent message to her: Simply – the Japanese economy *would not survive another trade war*.

Then, one week after taking office, she openly expressed support for China, executing the biggest foreign policy pivot since WW2. China was no longer the "enemy".

A new era in Asia has arrived. Trump is in shock: He accused Takaishi of betraying the principles of free trade. CNN called it a "stab in the back", by a close ally.

But worse was to come: Polls showed the PM enjoyed 60% support for her stance on Japanese economic independence – and more than 50% supported her position on China, too!

Bloomberg dropped a further bombshell: Takaishi has begun – in conjunction with China and South Korea – a strategic recalibration of Asia's monetary architecture in response to Washington's growing use of economic power as leverage. China, Japan, and South Korea are building a common currency area. The proposed trilateral swap would allow the three to settle trade, extend liquidity, and manage crises through their own currencies – entirely independently from the West.

Were these projects to mature, it would chip away at the scaffolding of US dollar primacy by removing 15% of global trading from the dollar

sphere, and would likely see the entire existing (pro-western) Asian balance of power collapse.

It goes further: Takaishi's vision would mesh with the SCO/BRICS unfolding of its digital clearing system across all of Central Asia. Yet Trump wants the BRICS dismantled, together with any other threats to US dollar hegemony. Expect escalation – more threats of tariffs.

Should China not respond sufficiently enthusiastically to the Trump charm offensive, then matters likely will escalate in tandem with escalations *versus* Russia (Venezuela and possibly Iran). Trump has already threatened Japan with sanctions, though this seems likely only to push Japan closer to China where the predominance of Japan's trading interests now lies.

A volatile period lies ahead, likely punctuated by violent oscillations in financial markets.

Russia and China remain closely aligned on geo-political issues – and both may have other reasons to keep talking with Trump (if only to avoid inadvertently triggering a financial crisis in

the West for which they will be blamed), or for military de-confliction purposes. But it seems that more than for these states alone, the Trump leverage tactics are backfiring – whilst the debt and credit crisis in the US grows ever more acute.

The situation is brittle

Any of these geo-political trysts could ignite into flames. Ukraine-Russia, Venezuela, Iran, Syria, Lebanon, Pakistan-India, and of course, Gaza and West Bank, are just some of the hotspots. The situation is brittle; Trump exists beyond strategic analysis, and the Europeans lack any real leadership and are embarked internally on war psychosis.

As the old Viennese saying has it: "In Vienna, the situation is *desperate* – but not serious" (i.e. have no expectation anyone in the West will react to it with any modicum of sobriety).

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