

# The Political Forum

*A review of social and political trends and events  
impacting the world's financial markets*

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### AROUND THE WORLD IN FIVE PAGES

Mark L. Melcher

With the elections in Russia, the firing of Defense Secretary Les Aspin, Clinton's recent meeting with China's rising star, President Jiang Zemin, the on-going flap with North Korea over nuclear weapons, the continued presence of U.S. troops in Somalia, the war in Bosnia, economic malaise in Europe, the mess in Haiti, and the newly instituted "peace" in the Middle East, I thought it might be a good time to talk geopolitics, to roam around the world a little, so to speak.

My purpose is not to propose policy (some of the best minds in Washington, after all, are at work on this night and day). But in keeping with the spirit of the "Fearless Forecast" issue two weeks ago, I would like to attempt to peer into the future a little on the international front.

I'll begin with an observation about Russia, namely that it is important to keep in mind when watching developments there that that nation is in a state of almost unimaginable decay and chaos.

The U.S. news media would have us believe that the "big story" in Russia is the fact that the "party" of some sociopath named Vladimir Zhirinovskiy received 24% of the vote. My attitude toward this was: "Well, of course." Any Russian election is going to turn up substantial support for some nutcase. Good lord, the political woods over there are full of them! Russia has been run by sociopathic nutcases for some 70 odd years. Did anyone think they had all disappeared?

Listen! Forget Vladimir. He or someone like him will be around forever in Russia, or at least for as long as any of us will be around. The story in Russia is this.

Russia's power plants are falling apart, both nuclear and conventional. The country falls far short of having sufficient electricity for any sort of industrial rebound. The nation's rail system is also falling apart, and wouldn't have a prayer of delivering sufficient supplies of coal for an industrial rebound, even if their enervated miners could bring enough supplies out of their deteriorating mines, which they can't.

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The disastrous condition of the rails is mirrored by the nation's pipeline and port facilities. This situation seriously limits Russia's oil export potential, which is already hampered by a critical shortage of refining capacity, now that Ukraine and Belarus are independent.

Russia has systematically destroyed millions of acres of prime farmland, through direct environmental catastrophes such as Chernobyl, and through profound overuse of fertilizers and pesticides, and atrocious land use decisions, most especially in terms of catastrophic irrigation techniques. The nation's inventory of workable farm equipment falls far short of needs and will for years to come. Russia has polluted most of its rivers, lakes and ground water supplies almost beyond hope.

Devastating levels of alcoholism, a growing drug problem, and a health care system in shambles assure against a significant rise in national productivity, again for many years to come. Finally, an astounding growth in criminal activity, affecting virtually all areas of commerce everywhere, has made it almost impossible for the federal government to exercise any meaningful control over economic activity, including the collection of taxes.

No one can "run" such a nation. Whoever is in charge there, and this includes Brother Yeltsin, is riding a tiger, without reins. The best any "leader" can do is stay on the tiger, and to do this, he will have to have strong support from the military. To gain and keep the military's support, he will have to endorse a forceful policy of Russian nationalism, including some sort of plan to regain "the Empire." Yeltsin will do this. If he doesn't, someone else will.

At least for the next decade, Russia's military and political energies will be directed toward keeping some sort of "order" at home and causing turmoil in such places as Ukraine, Georgia, Belarus and the former Central Asian republics.

If the plan works, Russia will then offer to "restore order" in these areas, in exchange for some sort of de facto reunification. The contemporary pattern for this was set earlier this year in Georgia. But the fact is that this stuff has been going on in Russia since 862 A.D., when Rurik the Viking came stumbling around what is now Novgorod looking for something to steal. It's what the old KGB types and the Russian military are good at.

All of this portends very tense relations between Russia and the U.S. for some time to come. But it doesn't present a military threat, or even a very persuasive argument for a step up in U.S. defense spending, as some grave looking, air-headed "experts" have been maintaining.

Russia will be difficult and obstreperous over such things as NATO membership of its former East European allies, compliance with nuclear treaties, and U.N. policy towards such nations as Libya and Bosnia. But in my opinion, it will do anything it needs to do, for quite some time (maybe forever), to remain "friends" with the West, in order to keep the money, technology and food flowing. This includes keeping its policy of nascent imperialism confined to within the borders of the "old empire."

Clinton will go along with anything Russia does that appears "reasonable." After all, for reasons only he could explain, he wants to stay buddies with Yeltsin. I thought his statement following

the Russian elections was deliciously ironic and highly revealing of his foreign policy acumen, or lack thereof.

With a huge grin on his face, he announced that he "would bet nearly anything that most Russians who voted for Mr. Zhirinovskiy and for that party not only did not subscribe to a lot of those positions that he's taken, but were not even aware" of them. Clinton thus committed the classic error made by most Americans when assessing the situation in another country, namely: "That's how it worked for me here, so it must work the same way there."

If someone in the United States wants to stay up late worrying about a military threat, he or she should consider China. I am not saying here, mind you, that China presents a military threat, only that it has much greater potential to do so than Russia.

There are, in my opinion, two ways China can go. The benign scenario holds that when the old communists finally die there, the new breed of leaders will fall all over themselves to westernize, to raise the nation's standard of living through trade and commerce with the West, and thus to turn China into a great big, friendly Japan. Maybe they will.

A second, more ominous scenario holds that China will continue "friendly" trading relations with the western economies, grow progressively wealthy, and use its newly found riches to finance the modernization of the world's largest army.

Under this scenario, the time will eventually come when China will have the military and economic strength to begin gobbling up its neighbors under the auspices of its own Asian "Monroe Doctrine." And there won't be anything anyone anywhere can do about it except complain. Those who worry about this scenario point out that hegemony over Asia has been a gleam in the eye of various Chinese leaders since centuries before Rurik's ancestors even wore clothing.

The U.S. could, if need be, keep the Russians out of Hungary, Poland, Czechoslovakia and the Baltics. After all, we'd probably have to feed the Russian army and provide it fuel to keep the fight interesting. On the other hand, the United States probably couldn't do much to prevent Chinese imperialism if they were serious about it. We certainly won't be able to do so in 10 years when, if current trends continue, China will be an incredibly formidable economic and military power.

I'm not arguing here that China will eventually "break bad." I'm not smart enough to know that. But I would point out that I'm not the only one who takes such a threat seriously. Japan is extremely worried about China. It is so worried in fact, that it is developing a nuclear weapons capability, complete with an intercontinental ballistic missile delivery system.

Reliable reports indicate that within five years, Tokyo will have a massive plutonium stockpile that could be converted with little difficulty to military use. Japan's communications satellite program has a similarly dual purpose, i.e., the rockets it uses could be converted to missiles quite easily. In fact, Japan is reportedly about to test a new H-2 rocket that will have a thrust comparable to the most advanced U.S. intercontinental missiles.

Ostensibly, Japan's plutonium buildup is spurred by a desire for energy independence. But it is no secret that fear of China and, to a lesser degree North Korea, is an equally important motivation. I think Japan's fear of China is legitimate. I don't think Japan needs to fear North Korea. The United States spends billions upon billions of dollars annually on our military, and Japan should not be worried about our ability to deal with a two-bit backwater like North Korea, or about the sincerity of our promise to do so, should the need arise.

In the meantime, I'm optimistic that China will stay "friendly" for a good many years to come and absolutely boom commercially. And I'm hopeful that a growing, prosperous China will find scenario number one much more attractive than scenario two. We'll just have to wait and see.

I am not optimistic about the Middle East. Every president since Jimmy Carter appears to have believed that the key to peace in that region is dependent upon the United States brokering some sort of agreement between Israeli and its neighbors. This is a noble pursuit, but I don't think it has anything to do with ensuring long-term stability in that region.

Furthermore, I think that the U.S. obsession with Israel diverts attention away from the truly explosive problems that torment that area; such factors as out-of-control population growth; religious and cultural barriers to establishing the kind of modern industrial economies that could put the growing population to work; water shortages that promise to become so severe that they seem destined to lead to bloodshed between nations; abject poverty living side-by-side with phenomenal individual wealth; rampant, centuries-old racial and ethnic hatreds; a long history, which continues today, of leadership by brutal tyrants and arrogant autocrats; and a violent Muslim fundamentalist movement that despises the "moderate" Arab governments as well as the monarchies in the area.

My guess is that as Arab economies worsen, Islamic fundamentalism will grow stronger throughout the area, most especially in Iran. This means enormous pressure will be brought to bear on the governments of the oil kingdoms, and on Jordan, Egypt and ironically Syria. I don't foresee a full-scale war in the region in the near term. But I think some "friendly" governments could fall to more radical elements in the next several years, and that this could shake the world's financial and oil markets.

As long as I'm on a negative note, let me say that I continue to be pessimistic about the economic future of Europe. Two years ago in my "Fearless Forecast" article, I predicted that "Europe is in for a long winter of discontent beginning in 1992."

I noted that "while the recent freeing of Eastern Europe and the formation of the European union may eventually become the 'son of York' that turns this winter into 'glorious summer,' I think this prospect is years away . . . that the rot of years of creeping socialism and trade protectionism has sunk deeply into the hearts and economics of its societies . . . [and that] this fact will negatively effect both the speed of the on-going unification efforts and the economic results."

I hoped at the time that I wrote this that I would turn out to be wrong. Unfortunately, I am increasingly convinced that I am right, especially after having read recently that many big shots in both the German and French governments think the solution to their economic woes might be to adopt a four day work week.

This is, of course, economic madness. It signals an ethical decay and exhaustion of imagination that is almost beyond comprehension, begging the question that if less work is the path to greater prosperity, pray tell why not stop working altogether?

None of this is pretty, I admit. But it beats the cold war by a large margin. After all, the world has been rid of a malignant, criminal empire. And that is good.

Problems abound, of course. But the world has always been a troubled place. Only fools seek or expect utopia. Despite today's problems, I think one can say truthfully that there has probably never been a greater opportunity for a rising standard of living and a better life for more people worldwide than there is today. Peace on earth, everyone! And happy holidays!

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