

The Ukraine War: An Update for Investors - With General Sir Nick Carter, Former UK Chief of the Defence Staff

Simon Brewer

Vladimir Putin once cited Winston Churchill when he said Russia was never so strong as it wants to be, and never so weak as it's thought to be. Ten days after the rebellion by the Wagner Group threatening a coup and 17 months after the invasion, we're extremely fortunate and very appreciative to welcome back General Sir Nick Carter, former Chief of the Defence Staff, and a man who was very early in articulating the threats posed by Putin's Russia. And here we are sitting in London, Kyiv is only 1400 miles away and it's somewhat surreal as we're in the middle of Wimbledon and the cricket season that this war is raging and yet we carry on our lives. So Nick, welcome back. You're our only guest to have made a third appearance.

Nick Carter

Simon, thanks. It's a great privilege to be with you again.

Simon Brewer

Let's just dive in. From a military perspective, what is the situation report?

Nick Carter

I think that means focusing right down on to the battlefield. And the answer is I think we have to be very careful not to be too optimistic about what's playing out on that battlefield. We all know that the first casualty of war is always the truth. And of course, both sides will be very clear about their propaganda at this point in time. And of course, there's been a lot of expectation riding on the Ukraine Army on the back of being given a whole load of Western bits of kit, tanks and armoured infantry fighting vehicles and artillery systems. So there is this expectation that something amazing might go on, and not least because of course they did something amazing back in September of last year when they did a long manoeuvre around the northern city of Kharkiv and took back a significant amount of countryside. But what has changed this time, I'm afraid, is that the Russians have put in place a very effective general, he's now been dismissed in fact, General Surovikin, who knows what he's doing and he has created a formidable line of defences and this includes minefields, anti-tank ditches, dragon's teeth, those large concrete blocks that impede the movement of tanks, and of course, dug in infantry positions supported by artillery and tanks. So it's defence in depth, and that's a very, very challenging battlefield for

anybody to prevail upon. When you add to that the fact that obstacle crossing and offensive operations are fundamentally difficult, we're asking a lot of the Ukrainian army to be able to achieve this. I think what we're seeing is rather than some great, decisive manoeuvre, we're seeing probably the development of three attacks in three different sectors. I think what they're trying to see is what that means to the way Russia moves its reserves around, and where perhaps they're most likely to find weak points, and where then perhaps they can develop a more significant axis of advance. And I don't think we'll see that play out quickly. I think we're going to see a lot of bloodshed, a lot of tactical activity, but I very much doubt we'll see anything decisive anytime soon. I'm afraid I'm pessimistic, perhaps. I think that asking them to do this is challenging and I think that when I cast back to my early military career, trying to become accustomed to using these armoured vehicles in a sophisticated way given the sort of challenge that Ukraine has got, it took us years to be able to become proficient, and we were a regular battalion of infantry with professional soldiers in it. So it's going to be difficult, it's going to be bloody, and I'm not necessarily optimistic as to how that fight will evolve.

Simon Brewer

How does that translate into political perspective on both sides of the divide?

Nick Carter

Well, of course, I think what's really critical for Ukraine is that they need to demonstrate to their western supporters that they've got a chance of succeeding. Now, how you define success, defeat, victory, these are terms that different people will have different labels attaching to them. But they've got to show some sort of success. So politically, this is very important for President Zelensky. He needs to demonstrate that the equipment he's received and the training that his army has received is leading towards something that looks successful. So it's a difficult political position from his perspective. Now, of course, there's big hope and I think we saw that playing out and your introductory remarks touched on Mr. Prigozhin. The realities of the events of 10 days ago, the weekend before last when Prigozhin conducted a mutiny with his Wagner Group, his private military and security company, and that will have an impact on Russian politics, not immediately. I don't think coup attempts in Russia necessarily lead anywhere quickly ever, and history proves that. But I do think it will have an impact upon the way in which Putin's army and Putin supporters perceive Putin's strengths, because he did not look like a strong leader that weekend when he came on to the media in order to be able to explain what was happening. He looked like he'd had to think about it too quickly. He didn't look confident. He didn't look as assured as he does usually. So I think this is probably the beginning of the end, but I don't think the end will happen pretty quickly. Now that said, who knows? It's a fragile kleptocracy that he sits over the top of, and those sorts of

regimes are vulnerable, they always will be vulnerable. It's a question of where that vulnerability is exploited. And I suspect there'll be other strong men sitting around him now who will be wondering about his longevity. And that, of course, is a difficult position for him to be in. I suspect that ultimately, we in military like to talk about centres of gravity because those are the areas both of strength and a weakness that you might want to apply military and greater strength to, I suspect the centre of gravity as Ukraine looks at Russia at the moment is the extent to which Putin's army genuinely has confidence in Putin. And if that confidence begins to creak a bit, then that may have an impact upon the battlefield. I suspect that Ukraine's best hope at the moment is that that political vulnerability begins to worry his army, and his army's therefore ability to fight becomes diminished. That's his best chance I'd have thought.

Simon Brewer

So just pausing on this Wagner Group, for those of us who are not familiar with the makeup of the Russian army, you hear about the Wagner Group and then I gather there are a number of other of these private armies. I guess what struck me was that they, in a short space of time, downed six Russian helicopters and a specified control plane. And then Putin has to get away with telling their kin that Prigozhin has been pardoned. I mean, are you the standard or are you actually- you're the world-weary observer of this, nothing surprises you about Russia?

Nick Carter

No. I think it goes back to how Putin governs his country. I think he absolutely doesn't believe in power being centralised. He believes in diverse centres of power, so he can play one end off against the middle. Of course, what's been playing out, I think, over the last six months in terms of Prigozhin is the extent to which he has been having a go at Defence Minister Shoigu and Chief of General Staff, Valery Gerasimov, and he's been criticizing their conduct of the war. And in particular, he's been criticizing the extent to which they have given equipment and resources to Prigozhin's Wagner Group. Now, the Wagner Group probably on the ground in Ukraine had some 25,000 fighters, and to be honest, they were probably the only fighters on that battlefield on the Russian side who were capable of conducting offensive operations. And that's why we've had this long-running battle in the city of Bakhmut. That battle really has been won on behalf of Russia by Prigozhin and his Wagner Group. The Russian army haven't been able to take part in offensive operations given their weakness and their lack of moral component and morale more generally. So I think what we've seen playing out is this long-term criticism by Prigozhin of Shoigu and Gerasimov and the General Staff in the Russian military more generally. I think that what he was wanting to see happen on the back of his mutiny was Shoigu and Gerasimov being removed. Now, I'm told we haven't seen much of Shoigu and Gerasimov in the public space over the last 10 days, maybe something

has happened. The fact that Surovikin, who I mentioned earlier, who was closely associated and supportive, I think, of some of what Prigozhin was doing on the battlefield has now been dismissed, would also indicate that Putin is trying to stamp down on the way in which Prigozhin has spread his effect more broadly into the security structure as a whole. So divide and rule I think is the way that Putin tends to run these things and that's what I think we've seen playing out with the Wagner Group. Now, what will be interesting is to see how the Wagner Group plays out in its broader efforts globally because the Wagner Group is very much a feature of what we see happening in Africa at the moment. A number of African governments have turned to the Wagner Group because the Wagner Group provides them with security, advice, capacity building, and of course, from the Wagner Group perspective, it gives them resources because they're able to steal stuff from African mines, gold, precious metals, and make sure that Russia are getting those rather than the West. It's an arrangement of convenience and it'll be interesting to see how that plays out over the course of the next few months and whether Wagner still continues to be run in that fashion or whether it's nationalised. The last thing I'd say about it is what is also fascinating is to see Putin eight or nine days ago admitting that they were paying the Wagner Group from the Russian State. That's the first time we've ever had a public admission that the Wagner Group has anything to do with the Russian State. Because up until now, over the last five to 10 years, the Wagner Group has always been deniable. It's always been a way of Putin prosecuting his foreign security policy objectives abroad without frankly ever admitting that the Wagner group has been at the heart of that happening.

Simon Brewer

So if you were a chess player, what would be the moves you'd like to see made by the West?

Nick Carter

I think I might challenge the analogy slightly because I think that probably what is needed is a strategy. And whilst I think chess is a game where broadly speaking, you might have a general strategy, I think on the whole, you tend to think one, two, three, four, and if you're very good, maybe five or six moves ahead. Here, I'm not sure I see that happening. I think that what has for understandable reasons driven Western strategy, in particular, the US administration strategy over the last 16 months, has been an absolute fundamental requirement to avoid escalation to contain this war within the borders of Ukraine if possible. Of course, that's difficult. Once you've made that to be your overriding constraint, it becomes very difficult therefore to declare an end state, to determine what defeat and victory look like, and then to go all out to achieve the objective of victory. And that's why what we've seen, I think, over the course of the last 16 months is the process of incremental reinforcement, where we've, in a sense, been dragged kicking and screaming by President Zelensky's very sophisticated political

manoeuvring increasingly to give Ukraine additional capability, equipment and training. My own personal view is if we want Ukraine to get into a position where we can lead to a conversation about how this war ends, we've got to double down and help them even more. They need to find a way of restoring at least the status quo ante 24th February last year, and that to my mind is critical. Because otherwise, this is not going to lead to a conclusive outcome. I think if we don't have a conclusive outcome, and I'm sure we'll carry on talking about this later in our conversation, that could just make matters worse.

Simon Brewer

The observation that you made in our first conversation was of course that all wars end in a conversation. I was chatting to our mutual friend, Colonel, as he was then, Jonny Gray, who served under you in Iraq, and he said, is a negotiated settlement the only way this ends?

Nick Carter

I personally think that a lot will depend upon how Ukraine's offensive goes during the course of the summer and where we end up as winter hits Ukraine in October or November this year. I then think a lot depends upon whether Western support remains sustained, consistent and positive behind Ukraine's efforts. Now, if, as I fear may happen, Ukraine are not able to push the lines on the battlefield much further east than where they are at the moment, then I fear that you may find that Western support becomes a little less firm and you may find that there are clarion calls for the beginning of some form of conversation. I fear that where that might end would be in some form of armistice, like perhaps we've seen on the Korean peninsula since the 1950s, which means the war in a sense goes into a state of formal freeze, where both sides agree that they're not going to fight each other, but of course, the war is not yet over. And I fear that's a very possible outcome. It is definitely a scenario to reflect upon, because that wouldn't be conclusive. What of course it might mean is that Russia perhaps would have the opportunity to reconstitute, perhaps go back on the front foot in two, three, four years' time, who knows, depending upon what happens to Mr. Putin. So I think that's a very possible outcome. If on the other hand, Western support doubles down and gives Ukraine the chance of achieving a bit more, and one gets into a position where Ukraine might feel that it's worth negotiating towards a settlement, that would be a different position to be in. But I think that's regrettably, as things stand at the moment, a less likely scenario because I feel that Western patience won't be sustained over a longer period of time that it would take to get to that sort of position. We shall see, but I don't see at the moment the likelihood of a conclusive outcome during the course of this calendar year.

Simon Brewer

If we move forward three years, given that uncertainty, we've got NATO, we've got EU, we've got Ukraine aspirations and Western accommodation. How might one envisage those relationships working with Ukraine?

Nick Carter

Well, I think that as a minimum, NATO and the West has got to give Ukraine a security guarantee. Whether that means membership of NATO, that's another matter, but it certainly must be a security guarantee. Because without that, I think Ukraine would have fought for naught. I also think the European Union is a potential boon in all of this from Ukraine's perspective. But ultimately, I think that you're going to end up in a position where I don't think we will be able to trust Russia for many years to come. A lot, of course, depends upon how Russian politics evolve. But let's work on the assumption that Mr. Putin hangs around or if he doesn't, he's replaced by somebody who shares certainly similar views, if not slightly more extreme views, then I think you're going to see NATO countries being obliged to deploy forces forward on Russian borders to provide adequate deterrence. And I think that is going to require Western countries to spend more on defence than they spend at the moment. That's something that I think will test people, but ultimately, that's the likely outcome, I think, if this war is not conclusive in its ending and determination.

Simon Brewer

I mentioned on our earlier conversation, there's this terrific book 'Putin's People' by Catherine Belton which I read and with growing astonishment of how this St. Petersburg mafia, which Putin was a very junior part, the epicentre of it is what we would all understand to be organized crime but so well entrenched that it seems almost difficult to imagine a different regime. You talked earlier on about morale of the men in the field. Is there a moderate somewhere in the Russian political structure who could emerge or is that wishful thinking?

Nick Carter

I'm no expert on the intimacy of Russian politics around Putin. But my sense of what I've read is that that's unlikely. I think what's probably more likely is somebody who's perhaps even more 'patriotic' than Putin would emerge. But that said, the stuff being written this week isn't though, which is suggesting I think that some of the people around Putin are running out of patience on this war and the way it's conducted. And of course, the great advantage to a successor is they can claim this as Putin's war. And actually, they can step away from it and perhaps they can get to a position where they can stop the war. That, I think, would be a possible outcome, and of course, would be a great advantage however ultra-patriotic that particular person might be. So I think the

sense that it is Putin's war is a very important point because others could say that they could treat this in a very different way.

Simon Brewer

I think that we're lucky enough to have you here today. We don't let you leave without a couple of other geopolitical blocks that are supremely important. In our earlier interview, you described China as a chronic challenge and dealing with China as we know is occupying lots of press and the sense is that the acrimony has increased. But of course, we're consuming papers and we're not there behind closed doors. What's your sense of the positioning between the US essentially in China?

Nick Carter

It's the absolutely key relationship with all of this. I think we should be encouraged by the fact that Secretary of State Blinken went to Beijing a week or so ago. And of course, what he's trying to establish and fundamentally is needed in this relationship are some guardrails in which the relationship can be managed. Because of course, what we're seeing play out in the Indo-Pacific is a significant arms race. And arms races are dangerous if they're not controlled, because if you don't have guardrails, then there is always the risk of miscalculation. That arms race is not just in China, who are expanding their navy and the PLA very quickly and a lot of their nuclear arsenal as well, it's an arms race that's playing out in Japan, on the Korean peninsula, in Australia, and of course also in countries like the Philippines where the US have now established or are establishing four new bases this year. Now, all of that is dangerous. And when you see exercising occurring around Taiwan, that exercising, if it's not properly controlled, could very easily lead to some form of accidental miscalculation, and that's the bit we have to watch. Of course, if you go back to the days of the Cold War, after the Cuban Missile Crisis, a hotline was created and confidence-building measures were put in place between the Soviet bloc and NATO and the United States more importantly, and we used to have arms control and arms control inspection regimes and everything associated with it. None of that prevails in the Indo-Pacific where World War Two did not ascend as conclusively as it did in Europe. So the Americans are absolutely right to try and help the Chinese get to a position where we establish these guardrails. My own view is there's a lot more going on behind the scenes than we might imagine, and that both governments recognise that they're going to have to collaborate and cooperate and they need to establish some confidence-building measures that enable them to be able to evolve and grow together in a productive and constructive fashion.

Simon Brewer

The other theatre where change is happening much quicker than many of us could ever envisage is the Middle East. I know you've just come back from Israel and we were having an exchange earlier on about the movements on that chessboard. Just give us a sense of what are the outcomes that you are thinking are going to define that troubled landscape.

Nick Carter

Well, I think there are some themes that are changing, particularly in the Gulf, but the Middle East more broadly. I think the first obvious theme is that US influence and interest is waning. Now the US is energy independent. Indeed, I was reading this morning is actually an energy exporter, and not least, oddly to China. The fact of the matter is that the US has less interest in it. Of course, ever since the invasion of Iraq and since the awakening, US influence has also declined. The US' reliability as a security partner is also being questioned slightly. You'll recall the Iranian attack on the Aramco facility in 2019 in Saudi Arabia, the US response was negligible and that begged questions from Saudi Arabia. And then of course, the withdrawal from Afghanistan in 2021 again begged a lot of questions about the reliability of the US as an ally. So I think US interest and influence is waning and I think it's being backfilled by other great powers, not least China, who've got significant energy and economic interests in the Gulf and the Middle East more broadly. So I think that's an interesting theme. I then think there's a significant theme of the requirement of these very rich states to diversify economically. They're doing that because of course they've got significant youth unemployment and they need to offer education opportunity in order for their populations to be happy. Whilst the next 5 to 10 years are likely to be profitable from a fossil fuel perspective if you're Saudi Arabia or Qatar or even the Emirates, the reality is that that is on the decline. I guess from 2030 onwards, people are now thinking about the need to be in a different place economically than just supplying those sorts of energy requirements. So if you want to have economic diversification, you also need stability and I think that's the third of this theme we're seeing in the Middle East and the Gulf at the moment. We've seen the Abraham Accords, which is the agreement between Israel and Arab states, particularly Bahrain, the Emirates and Morocco. And maybe Saudi Arabia will become a signatory of the accords as well in the next year or two. That's very good economically, but it's also good in terms of stability. We're seeing Syria readmitted to the Arab League this year, and of course, we've seen this rapprochement between Saudi Arabia and Iran brokered by China, allegedly. And that is a very interesting move. I think it shows a much more assertive foreign policy, particularly from Mohammed bin Salman, Saudi Arabia. I think what you're also seeing on the back of this detente is you're seeing more assertive foreign policy from these countries. I think increasingly, Saudi Arabia is claiming to lead much of the Arab world, which is not a position it would have been in 30 years ago when it was obvious that Egypt or even Iraq were the leaders of the Arab world. So I think there are some very interesting

things happening. When you put on top of all of that the fear that perhaps Iran is getting very close to a nuclear weapon and maybe only a couple of weeks away from breakout to achieve a nuclear weapon, and when you consider that Israel is wrestling with challenging domestic politics and has got a much more right-wing government than we've ever seen before, how those two factors play into this and whether Israel would be content to see Iran get that close to a bomb, there are lots of wildcards that can play into this. Not least, what's another term of President Erdogan going to look like in the eastern Mediterranean? He definitely has foreign policy ambitions that perhaps chime a little with where the Ottoman Empire once was.

Simon Brewer

Yes. Well, we'd be remiss not to comment on one investment implication, which is with 85% of the world's energy being supplied by fossil fuels and clarion calls for all the green emerging technologies to replace it, the lack of perhaps realism, but the under-investment by the oil majors has, I would certainly observe, created the possibility for significantly higher energy prices when we get through this slowdown. So the investment implications of all of what you're talking about are going to be profound. We're lucky enough that in a couple of weeks' time, I'm giving up my chair for July to Jen Prosek a previous guest. She's going to interview Mike Pompeo, which could be great fun. Would you have a question for Mr. Pompeo?

Nick Carter

Yes, I'd like to understand what he thinks the US should be doing in foreign security policy terms these days, particularly in relation to China, but also in relation to the impact of China globally.

Simon Brewer

Okay, we will put that on the agenda. So Nick, thank you for coming this Monday morning and breaking your day to give us this update. It's really terrific for all of us. And I think our listeners, we are now in 110 countries and reaching I think close to a million people a year now through audio and video. So there'll be a lot of people who listen to you. It was very interesting when we interviewed your friend General Petraeus, suddenly on the map of where our listeners were, two popped up in Iran. So there you go. The power of the podcast. Anyway, Nick, I'm going to let you go. Thank you so much for being here today.

Nick Carter

No, thanks, Simon. It's been fun as ever.

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