

Transcript – Why Putin’s Call To Trump Signals Russia’s Existential Crisis

Christian Smith: Hello and welcome to this podcast from Geopolitical Futures. I'm Christian Smith. Vladimir Putin and Donald Trump had a 90 minute phone call last week at a time when much of the world's attention is on the war in the Middle East. The timing of the phone call is interesting. Putin has largely been seen as one of the winners out of the war in Iran. But it was unusually he who requested the call. Is that a sign of weakness or strength? The call is unlikely to lead to any conclusion at the moment to the war in Ukraine. But it does reveal some things about Russia, about what it wants and about where its pressure points might be. To break down what we can learn from this, I am joined by Geopolitical Futures chairman and founder, George Friedman. Hello, George. How are you doing?

George Friedman: Fine, how are you?

Christian Smith: Good, thank you. Good. You've written that this call is unusual, that Trump, that Putin rather calling Trump is unusual. Why is it unusual?

George Friedman: Well, remember, Trump had come in to office saying that he would reach an accommodation with Putin very quickly. In all the phone calls that he had with Putin, it didn't seem to happen. Trump appeared much more eager to have these talks than Putin did. But there's been a long time since there was a talk. The last official talk was last October. There are rumors that there was none of the talk in March, but was never confirmed by either side. So it's been a long time when Trump seemed to have lost interest given Iran, war, given China, in Russia. Now Putin comes along and he opens the conversation and in addition opens it with apparently with talk about economic cooperation between the United States and Russia. What's important about this is this was the first thing that Trump put on the table in offering these things in order to have a peace with Ukraine. Trump rejected both concepts and went on. Putin objected to both concepts. The war went on. So this appears to be a move by Putin, perhaps not really related to Iran much for him, but perhaps Trump is a little weaker now, he might think, and he want to talk. But it was really something that was more about Russia than about Iran.

Christian Smith: Yeah. So that opening of talking about economic cooperation led to a bit of outrage in the west when that was first announced by Trump or leaked or however it came out. But now Putin seems to have opened with it. What do you take from that, George?

George Friedman: Well, I think the Russian economy is in very serious trouble. The media itself is loaded with stories about problems with it. The Russian media is not controlled as the Soviet media was, but it still is fairly cautious in criticizing the situation. Well, Putin himself is not being Criticized, per se, but there's constant stories being put on, put on the screen in the papers of Russian economic problems because this war has gone on a long time. There's a shortage of manpower, prices are extremely high. And Russia really isn't in a position to take advantage of the oil crisis because they're at maximum production now. So in many ways there is questions about what happens to Putin and what happens at war.

Christian Smith: Listeners might be thinking predictions of Russian economic collapse have been around since the war started. Some people thought they were going to happen within months or within a year once all the sanctions hit. What do you think is different now then?

George Friedman: This is not collapse, is deterioration. Deterioration in many ways is more, in the long term, painful. So the Russian economy, firstly, there's a lack of money. The Russians funded this war with the ruble, with their own ruble, internally, all right? They, as a result, there's a shortage of money inside of Russia. Prices are going up. The solution is to print more money that would lead to massive inflation. So that simple question is the cost of this war has been two labor. There's a labor shortage inside of Russia. Secondly, lack of goods on shelves. The interesting thing about nations can survive catastrophe if there's something on the other side, long term misery, if you will, is much harder to do so. And at this point, the media simply in Russia is sounding quite critical. Speaking of it all, and that's a little different in the culture of Russia, not necessarily in law at this point. So we've seen other things like the shutdown of the Internet, the creation of a white sheet of things you can access, blockading other things and backing off, that the question right now is the future of Putin, how could he continue to govern? And this call and raising the possibility of economic

accommodation with the United States, which he had not really backed away from first times, is very important and I think indicates that he's under pressure.

Christian Smith: As I said at the top, a lot of people see the war in Iran, that Putin is one of the main winners of that, given the boost in oil prices and given the US Eased sanctions on Russian oil for a bit, for the oil that was already at sea. Are you saying then, I suppose, that these boosts in oil prices hasn't really given Putin, or maybe not yet given them the sort of economic lifeline that they might need.

George Friedman: Well, this war has been enormously costly. It's in his fifth year. Many soldiers died, many soldiers tried to evade the draft. There was not great enthusiasm in last years for the war. He didn't stop It. So we think about wars that go on don't have an ending. The population itself starts to weaken in the sense that, look, a lot of their people have been drafted. Even people as high as old as 50 have been drafted in. University students have been called in. Okay. So there's been a massive shift of husbands and children and so on and so forth. Okay. And the economy has been war oriented for so long that goods for the civilians are not scarce, but not where they have to be. So there's a basic war weariness. Putin can't end this war without having gained something fundamental. He will continue it. Other people, if they push him aside, can end the war. So just as there was anti war movements in the United States and other countries as well, we're going into the phase quite a bit longer than it took in other countries where there's absolute problem. There are rumors and only rumors that I hear that the fsb, the Russian intelligence service, has grown tired and hostile toward Putin. Now, he came from the fsb and in many ways he was possibly placed in that position with their help, that there are rumors that the FSB itself is tired of him and wants to put pressure on him or force him out, whatever you say. Now, these are rumors. I don't know if they're true or not. And in these sorts of times, all sorts of crazy rumors come around, but these are not the kind of rumors I've heard in the past coming out of Russia. So it should be noted, if not fully believed.

Christian Smith: Yeah, the rumor itself is interesting, even if the rumor is not true, where it might be coming from, for example. I want to come back to the economic bit in a minute, but let's just stick with Putin and that side of things. There were reports over the weekend that he is increasingly concerned about

assassination attempts, whether that be from, well, from any place, but in particular through drones, say, and the fact that drones seem to be able to hit parts of Russia with perhaps not ease, but they are certainly getting through overnight. On Sunday, Ukrainian drones hit a particularly upmarket bit of Moscow. So in that respect, how much do you think Putin is actually worried about his own personal safety there as well? Apparently he's spending a bit of time underground as well.

George Friedman: Again, rumors. Rumors are, yes, they spend time underground. He has a police force like the Secret Service, but more visible. And they're all around him, apparently. But that's not unreasonable under the circumstances. So what you have is, yes, there are always rumors about extreme things happening. Sometimes they turn out to be true. But the fact that the Rumors are there. The fact that the Russian media is not saying these things that I've said here before, but saying very significant things. The fact that the Internet in Moscow a few weeks back was shut down. Trump attacked whoever shut it down and criticized him. Putin attacked the people who'd done it was apparently some intelligence service. But there's real tension. Of course there is. This war is going on for in the fifth year, full of four full years, he is still claiming that he's advancing. He's still in the same position he was before, and the economy has begun its downturn. So you have now inside of Russia. And remember, this is not a Stalinist dictatorship. The secret police are not out there arresting anybody's unhappy. So that's happening. Thus, the phone call in this context was very interesting. And raising the things that Putin had dismissed as a possible issue, raising that as the first thing was, I think, very significant.

Christian Smith: And just back to the oil for a minute there, George. Do you think there is a timeline, perhaps, in how long it might take for increased oil prices, say, to come through and actually have a solid good effect for the Russian economy? Because it's fair to say it probably. There hasn't been enough time for that to happen yet. But do you think if the situation in the Strait of Hormuz continues, it could turn around for Russia?

George Friedman: The problem for Russia is that they're pumping all they can, selling all they can. Much of it has to be absorbed domestically, obviously, and they're selling while they can. It would be wonderful for them if they could increase oil production, but they're at maximum rate. They have to have massive

new technologies introduced, which they haven't done. So. And that would take quite a while, not weeks, not months, years to put in place. So it's not a solution for this situation. And their financial benefits from this are limited. Because they were at full capacity, they were keeping oil internally because they had to. They were selling oil as well, making money. But increasing the income is going to be hard and it's going to take a while. And I think the situation, they're running out of time.

Christian Smith: And at the same time, we've come through the other side of winter, a winter that was suspected to be a very crucial one for Ukraine. And whether or not it would survive, it seems to have survived. At the same time, Viktor Orban is out in Hungary and the EU's already passed this 90 billion euro loan for Ukraine. Both those factors obviously play into the hands of the Ukrainians. How worried do you think Putin will be about that? In the state of the war?

George Friedman: Well, it's not any one thing that he's worried about is the entire picture. The Ukrainians should have been overrun in a matter of months. If you took to the convention of the wisdom at the time, the idea that the Ukrainians could resist as well as they did for as long as they did and still be hitting Moscow and other cities with their drones while the Russians are doing the same or trying to do the same with their cities. The point is that Ukraine has shown itself militarily to be equal in power to the Russians, and this is a tremendous shock to the Russian public. The Russian public has seen themselves as they were during the Soviet period, as a great power, a global power. At this point, Russia is far from a global power. It's lost East Asia, Central Asia. That part that he lost. He's also lost the South Caucasus, Azerbaijan, in these regions, Armenia, and all of the west things west of him, the Balkans, Baltics, I should say. And so we see a Russia that is very different from what Russia expected to be after the fall of communism. And Putin presided over this.

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these nations play in regional power dynamics. You said earlier, George, that Putin might see Trump as a bit weaker at the moment than he has been, given perhaps what's going on with Iran. He also has decided to pull a number of troops out of Germany, and missiles as well, I believe, and where that leads, we'll see. Do you think Putin spied an opportunity there, then, to make the most of this?

George Friedman: I think that Putin was forced into this and it happens at a moment when the Americans appear weaker. And certainly Trump has serious problems in the United States as well concerning this war. And Trump has serious problems within the United States itself over oil prices. On the other hand, Trump's position is safe. He cannot be reelected anyway, so he has more room for maneuver. On the other hand, Putin may or may not last as president, and we don't know that. So the one thing we can be pretty sure of is that Trump will not be overthrown, and it's unlikely that he'll be impeached over this and expelled. So his position is stronger personally, and the United States position is much healthier than that of Russia. So you're looking at two very different things. Russia sliding deeply into morass, sort of becoming a very good Third world country. It is no longer a global power. It has demonstrated military weakness in Ukraine. When the world talks about global powers, they talk about the United States and China. China itself is not very friendly to Russia, having fought many wars, even during communism, battles along the rivers, along the borders. And if Trump reaches an understanding with Xi, which is coming up on May 14th at this point, that would indicate a real problem for the Russians because their borders are not particularly secure and China is at its borders. So when you take a look at the situation for Trump, and you take a look at the people around Putin, you see Trump in a much stronger position, even as not as strong as he could be, whereas Putin is weakening to a greater extent.

Christian Smith: We're going to come on to China and that Xi, Trump summit in a moment. I want to ask you more directly as well, George, while we're talking about Trump, what do you make of these pullouts in Germany? I mean, you yourself have had experience of being there. Germany has long been a very important for military bases and for the US what do you make of this?

George Friedman: Well, this is part of what was Trump's policy, which was not getting involved in conflicts in the Eastern Hemisphere. He then broke that principle by getting involved in Iran. But he's also angry at the Europeans for not

joining him. Okay, we have an alliance. They say, we didn't go to war. We weren't attacked. The United States wasn't attacked. Therefore they're not obligated to help us. The American response, or at least Trump's response, is, you weren't at war, but you might have been. So we came anyway and we had these troops. The withdrawal is a symbolic thing for Trump. He's saying, okay, you're not going to defend us when we get into a war because you don't approve of it. Well, he withdrew 5,000 troops, which, given the amount of troops, there, is not very much. What is most interesting is that in the German media, what has appeared are the consequences of these 5,000 withdrawals. Apparently, many of these towns around where they were based depended on income from these troops because they're deployed with their wives, families there. Okay. And so this was something that I didn't anticipate, I'm not sure anybody anticipated, which is that it has economic consequence. So what we're basically saying to the Germans at this point who deeply criticized Trump is okay, we are deployed there, we are your allies. If you treat this alliance with such disdain, we'll pull out. And the 5,000 troops were a signal to the Germans. And whether Trump realized the economic hardship limited that this would put in this various towns they were in, I don't know. They did, but it's a real issue inside of Germany. So this is part of the transformation of the geopolitical system. So we're moving closer to China. Russia is not a major power. The Europeans based their defense structure on the presence of the United States, and the United States intends to lessen that. And certainly given the condemnation that came particularly from Germany, from Mertz, very nasty. He responded in this way. Now this is a pure Trump move is the way he does it. But. But at the same time, the whole world has changed and the Europeans don't want it to change. They want it to be the way it was. And all of this is happening. And so we're at one of those periods in history where we are seeing a fundamental shift in the realities, which takes a long time for people to absorb. But then they suddenly realize that it's really happening and they adjust to it. But that's a decades long process.

Christian Smith: Speaking of changing geopolitical landscapes, George, looking at Russia in terms of needing an end to the war, let's say that there is an end to the war in the near future, where the current battle line to where the map is redrawn, or perhaps Russia gets all of Donetsk and Luhansk, but obviously far from a complete victory. What's the future for Russia then?

George Friedman: Well, first of all, note that he's battling for this area. And if you take a look at a map, it's a very small area of Ukraine right on the border. And the fact is he hasn't taken it in over four years. So that's really trying to do. This is itself a problem. Russia faces an existential problem. The it shed communism, it created a new regime, one that was more free market, if you will put it that way, away from dictatorship. Putin tried to restore Russia's greatness, make Russia great again. The way he wanted to do that was demonstrating Russian military power, regaining the areas that Russia had lost after the Cold War. Remember after the Soviet Union collapsed, as I said before, Central Asia, the South Caucasus and many of the western areas like Ukraine seceded. For Russia, he had a dream of restarting it, restructuring it, building it back to what it was. He failed. He's not going to win in Ukraine. He's not going to regain the increasingly hostile nations of South Caucasus, Central Asia, US And China are debating over, but the Russians don't really have that much of a voice. So, in other words, in the thing he wanted to do was restore the greatness of Russia after a rather humiliating collapse of the Soviet Union and fragmentation of Russia as well. He failed. He's failed to do that. Now Russia has to reconsider what it is it became during the Cold War, thinking of itself as a global power, with many of the older generation coming up as the alternative to the United States, something the United States was afraid of. Its equivalent, it has now declined even farther than with the fall of the Soviet Union because of this war. So Russia has a fundamental internal identity problem. It is not a democracy in the full sense, but it is a democratic society. And there's an election coming up. And whether it's manipulated or it's a free election, either way, if Putin falls, then what will likely emerge is a leadership focused on, I'll say, put it this way, making Russia great again, in a sense of recovering the economies, making the life of Russians better, and so on and so forth. And its role in foreign policy will still be there, but it will not be anything on the order of the power of the United States, which is a truly global economy and truly a global military power, whether it's wise or not in its use. And China, which is global economic power, but not a global military power. It's in the Pacific. It can't get to the Atlantic. So a new reality of the geopolitical system has emerged inside of Russia. We can't predict exactly what will come of it, but clearly with this failure in the war and the consequences to the economy and the way Russians are living at this point, okay, there's been no triumph at all. And so I think what really is going to happen with Russia is it will accept the offer of the United States for

economic relations and for Trump, economic relationships are the buffer to war. If you're economically involved, everything else is peaceful. So I think in the end, the most important thing that will happen of this is, is not just a reconciliation between Russia and the United States, but more importantly, with Russia and Europe. When you take a look at Europe and its fragmentation at this point and its economic problems as well, it's not the United States that could be of most benefit to Russia economically, it's Europe. Now, Europe is absolutely opposed to Putin as a fundamental principle and to this war perfectly rationally, what does it do if a new leader emerges Ends the war, reduces militarism, and has all sorts of economic opportunities because it has many resources, many capabilities, smart people and everything else. And talks about working with the Europeans. Then Europe has to decide something very important. What in the world is Europe? It's a continent. The Germans do this, the Poles do that, the British do whatever they want. Okay, so these are a series of countries. So where I think this goes is, yes, I think the writing's on the wall for Russia. It will move away from the Putinesque model and focus in on more because it already has a free trade program internally, free market program. And that program is going to go back there, and there'll be rich people, poor people, and all the things that you normally get now to the east of Europe. The very dangerous Russia that had existed for quite a while is now a potential European country, very similar to it. So I think the most important thing, because I think the handwriting is on the wall for Russia, is what does Europe do? Now, aside from complaint about the United States, at this point, the question here is Europe has these European institutions, the EU and NATO with it in there, okay? At the same time, their ability to collaborate, work together and so on and so forth is somewhat limited. There's tensions between these countries. So if Europe can become a federation, which I think is unlikely, it's a global power. You know, the economy of the EU is larger than the Chinese economy, fragmented all over the place. So when I take a look at the future, I think the future of Russia is in rebuilding itself dramatically, becoming a very significant economic force, being involved in trade with the United States, China with Europe. The next question that comes out of this is, after the Cold War is over, which it is under any circumstances, what does Europe become? And Europe wants to cling to NATO like crazy, because if they have NATO, they don't have to make these decisions. The Americans do it. And part of the bitterness of the Europeans, of the Americans seemingly abandoning. They haven't. They've

reduced the commitment. The really interesting issue for the Europeans is that they are now having to face an existential problem they want to avoid badly. What's our future? So all of these things that are happening now, the US Summit with the Chinese, the Iranian war, to some extent, the war in Ukraine, becoming much more trivial in the scheme of things, and Russia become much less significant in anything that happens. That's the question, what does Europe do?

Christian Smith: And, George, just to finish speaking of China, we said we'd come back to this. You mentioned earlier some of the reasons why Russia might be worried about a Trump Xi reconciliation, should we say? And you can listen back to some previous podcasts that we've done on the topic. Do you think that this phone call was basically Putin was trying to get his word in first, and then at the same time, do you think that Russia's concern with China, a Putin, sorry, a Trump G reconciliation, would actually be quite good news for Ukraine?

George Friedman: Well, I think the Russians are not dealing with the global system at this point. They're constrained to one thing, the internals of Russia and its relationship with Ukraine. They badly need to get out of this war. And I think Putin's presidency depends on getting out of this war and rebuilding the American economy. Therefore, when you take a look at what went on in this discussion that was released to the public, first, the Russians saying, yeah, we really are interested in more economic involvement in the United States and no, we won't have a ceasefire except for three days somewhere. He has to hang tough. How long he can hang tough is unknown, but I think the whole Chinese US Relationship is so far out of his control and influence. In the same way that the war in Iran, where during the Cold War there'd be Russian troops rushing all over to help the Iranians and so on and so forth, much military aid and so on, we see the limits of Russia. I think the Russian public now sees the limits. And they didn't mind the limits while they were living well, but they're not living well now.

Christian Smith: And therefore time for a change in Ukraine as well. George, as always, let's leave it there. Thank you very much for your time. Thank you out there for listening as well. We'll be back again soon with another podcast from Geopolitical Futures. But until then, you take care and goodbye. You can find all of our expert geopolitical analysis@geopoliticalfutures.com.