

## Headlines:

- **A Hard Landing for the Global Economy**
- **The U.S. Should Show It Can Win a Nuclear War**
- **Attack on Chinese Workers in Pakistan Challenges New Government**

## Details:

### A Hard Landing for the Global Economy

As the world's major central banks begin to adopt hawkish monetary policy stances, there is some good news and some bad news about the world economic outlook. The good news is that the world economy does not appear to be suffering from the same vulnerabilities that made the 2008-2009 Great Recession so severe. The bad news is that the world economy now suffers from a different set of troubling vulnerabilities. Those new vulnerabilities make it likely that the forthcoming global economic recession will be more severe than the average post-war economic recession, albeit not as severe as the 2008-2009 recession. Among the factors that made for the severity of the 2008-2009 global recession was a once-in-a-century U.S. housing and credit market bubble coupled with very poor bank lending standards. Those poor standards included the infamous sub-prime lending and NINJA loans. But we now have other vulnerabilities that do not bode well for the world economic outlook. In particular, today the world economy's main vulnerability is that it finds itself in a situation where U.S. and European inflation are now at multi-decade highs at the same time that bubble-like conditions characterize all too many world equity, housing and credit markets. This challenging situation of inflation together with a so-called global "everything" asset price and credit market bubble has been the result of the world's main central banks' excessive reaction to the COVID-19-induced recession of early 2020. Not only did they keep interest rates too low for too long. They also flooded the markets with liquidity with their unprecedentedly rapid pace of bond buying. Yet another reason for concern about today's world economic outlook is China's challenging economic position. Not only is China's property and credit-led growth model now showing every sign of having run out of steam. That country's no-tolerance COVID strategy is leading to a sharp economic slowdown, which will only aggravate its property sector problems. This makes it highly improbable that China will once again be able to play the role of the world's economic growth locomotive, as it did during the 2008-2009 Great Recession and soften the blow of a synchronized economic recession in the rest of the world. All of this would suggest that there can be no room for economic complacency about today's world economic outlook. [Source: The Hill]

**The repercussions of the war in Ukraine combined with the forces of de-globalization is bound to make any recession long-lasting. Additionally, the rising cost of living will fuel global protests and put pressure on Western governments to take action against the super-rich. What the world needs is an alternative to capitalism and only Islam can provide the answers.**

### The U.S. Should Show It Can Win a Nuclear War

Russia conducted its first test of the Sarmat, an intercontinental ballistic missile that carries a heavy nuclear payload, on April 20. Vladimir Putin and his advisers have issued nuclear warnings throughout the war in Ukraine, threatening the U.S. and the North Atlantic Treaty Organization with attack if they escalate their involvement. Moscow recently threatened Sweden and Finland with a pre-emptive strike if they join NATO. The reality is that unless the U.S. prepares to win a nuclear war, it risks losing one. Robert C. O'Brien, a former White House national security adviser, proposed a series of conventional responses, which are necessary but not sufficient to deter Russian nuclear escalation. Developing a coherent American strategy requires understanding why Russia threatens to use nuclear weapons and how the U.S. can recalibrate its strategic logic for a nuclear environment. Russia's war is being fought on two levels. At the military level, the battlefields have been restricted to Ukrainian and, in a handful of instances, Russian territory. But the conflict is also a war against NATO, given Ukraine's position as an applicant, NATO's military support for Ukraine, and NATO's willingness to embargo Russian products and cut off Russian energy.

Mr. Putin hoped to destroy Ukraine as an independent state. Russia planned to drive into Kyiv within hours, install a quisling government, and months later stage referendums throughout the country that would give the Kremlin direct control of its east and south. Aleksandr Lukashenko's Belarus, and perhaps the Central Asian despots, would fall in line. Mr. Putin would therefore reconstitute an empire stretching to the Polish border. If Russia's military situation appears dire, Mr. Putin has a dual incentive to use nuclear weapons. This is consistent with publicly stated Russian military doctrine. A nuclear attack would present Ukraine with the same choice Japan faced in 1945: surrender or be annihilated. Ukraine may not break. The haunting images from Bucha, Irpin and elsewhere demonstrate Russia's true intentions. A Russian victory would lead to mass killings, deportation, rape and other atrocities. The Ukrainian choice won't be between death and survival, but rather armed resistance and unarmed extermination. Nuclear use would require NATO to respond. But a nuclear response could trigger retaliation, dragging Russia and NATO up the escalation ladder to a wider nuclear confrontation. Perhaps a conventional response to a Russian nuclear attack would be sufficient. What if the U.S. and its allies destroyed Russian military units deployed to the Black Sea, Syria and Libya; cut all oil pipelines to Russia, and used their economic clout to threaten China, and other states conducting business with Russia, with an embargo? [Source: The Wall Street Journal]

**While the talk of nuclear war may seem unsettling to many, it is unlikely that a full scale nuclear war would occur because the costs are too high as annihilation is not a winning strategy. It is pretty obvious that Putin's war in Ukraine is not going to plan and Putin is resorting to nuclear rhetoric to scare the West from forging a stronger unity under US leadership.**

### **Attack on Chinese Workers in Pakistan Challenges New Government**

This week's suicide attack in Karachi that killed three Chinese nationals poses a challenge for Pakistan's new leaders at a time when they may be looking to improve ties with Beijing. A separatist group, the Baluchistan Liberation Army (BLA), claimed responsibility for the blast, saying a lone female suicide bomber had carried it out. Pakistan's government quickly said it would find and punish those responsible. "I strongly condemn this cowardly act of terrorism. The perpetrators will surely be brought to justice," Prime Minister Shehbaz Sharif wrote on Twitter. But Pakistan has been trying for more than a decade to halt separatist militants' attacks on Chinese workers. The militants have targeted Pakistani and Chinese workers involved in development projects in Baluchistan, accusing them of extracting resources without compensating local people. In 2019, Washington designated the BLA as a terrorist organization. As China's investments in Pakistan have grown, particularly since the creation of the China-Pakistan Economic Corridor (CPEC) creating links from Pakistani ports to Chinese road networks, relations with Beijing have only grown more important. Analysts expect the Sharif administration to strengthen economic and political relations with the Chinese government, noting that it was under Nawaz Sharif, Pakistan's prime minister from 2013 to 2017 and the brother of the incumbent, that the CPEC was solidified. "We can certainly expect to see a renewed focus and a center of attention on CPEC because it aligns so well with the core sort of goals of the PML [Pakistan Muslim League] and both Sharif brothers," said Madiha Afzal, a foreign policy fellow at the Brookings Institution, a research group in Washington. Other analysts such as former Pakistani Ambassador to the United States Husain Haqqani, who served from 2008 to 2011 under then-Prime Minister Yousuf Reza Gilani, said there is room to improve the China-Pakistan relationship following the ouster of former Prime Minister Imran Khan, who lost a no-confidence motion in parliament this month. "It is important to note that Mr. Imran Khan was a particularly inept leader, and he also was prone to a lot of erratic and whimsical decision-making," said Haqqani, who is now director of South and Central Asia at the Hudson Institute, a research group in Washington. "The Chinese did not like that, so there was a problem of style that affected certain aspects of the Sino-Pakistan relationship. A more experienced and more calm-demeanored political leadership will take away that part of that irritant out of the relationship," Haqqani said. [Source: Voice of America].

**It is difficult to see how Pakistan can forge strong ties with China given America's deep mistrust of Beijing. If anything, US is likely to use Pakistan to hurt China and strengthen India.**