

Labour Affairs

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Labour Needs a U-Turn in Economic Policy

Rachel Reeves' position as Chancellor is growing increasingly precarious. She fought the 2024 general election on a platform defined by strict fiscal rules, a refusal to raise income taxes, and a pledge to deliver economic growth. It was a politically calculated stance—economically incoherent, but designed to appeal to Conservative-leaning voters whose support Labour believed it needed to secure victory.

In the end, those Conservative voters largely stayed home. Labour won a landslide parliamentary majority, not by expanding its base, but because the Conservatives collapsed. Reeves' fiscal caution may have soothed middle-class nerves, but it did little to inspire enthusiasm. And now, the implications of that platform are becoming painfully clear.

With Reeves still committed to her fiscal rules and tax pledges, the UK is heading toward yet another round of austerity—this time under a Labour government. If she holds the line, the public sector will remain underfunded, investment will be stifled, and the economic recovery Labour promised will stall. The political cost could be devastating. Labour won

this time by default; it will not be so lucky at the next election if it fails to deliver tangible improvements. A U-turn in economic policy is not optional—it is necessary for survival. And if Reeves cannot lead that shift, she may have to go.

At the heart of Reeves' platform is a misplaced obsession with fiscal discipline. Her self-imposed rules—to reduce debt as a share of GDP and to match current spending with tax revenues—are meant to signal economic competence. But they rest on a fundamental misunderstanding of how public finance works in a sovereign currency economy.

Governments are not households. Households must live within their means because they can't create money. The UK government, by contrast, issues its own currency. It can never run out of pounds. The real limit on government spending is not the balance sheet but the availability of real resources—labour, energy, infrastructure—and the risk of inflation if demand outstrips supply.

So long as there is unemployment, unused capacity, and unmet social needs, the government can and should spend to

mobilise those resources. Whether this results in a deficit or increases the debt-to-GDP ratio is economically secondary. What matters is whether policy is delivering full employment, low inflation, and rising living standards.

Reeves' rules ignore this. They prioritise fiscal metrics over economic outcomes. The result is a rigid framework that will constrain public investment precisely when it is most needed—whether in health, education, housing, or climate infrastructure. Labour cannot meet its promises within these limits. It cannot deliver its own policies, eg, increasing training for the existing population to reduce the need for immigration, because it is not funding them adequately.

Eventually, the contradiction will become untenable. The growing gap between public need and self-imposed fiscal constraint will force a reckoning. Either Labour breaks its rules or fails to govern effectively. The longer the government delays that decision, the higher the political cost.

The rules may have been a useful pre-election posture, but in government they are a trap. They create the illusion of responsibility while setting the stage for policy failure. What's needed is not fiscal virtue-signalling, but a pragmatic approach that uses the power of the public purse to deliver real change.

A government that understands monetary sovereignty can invest without fear of arbitrary debt targets. Taxes should be used to manage inflation and inequality, not to “fund” spending. What matters is not whether the budget is balanced, but whether the country is.

In this light, Reeves' fiscal rules are not a sign of seriousness—they are a liability. If Labour is to govern successfully and win a second term, it must abandon these illusions and embrace a more functional understanding of public finance. A U-turn is coming. The only question is whether Reeves will lead it—or be replaced by someone who will.

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Labour Affairs

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British Foreign Policy : Dominate Europe

Labour Affairs Group

Why is Jonathan Powell attending peace negotiations between Russia and Ukraine?

Moscow has barred Western European leaders from participating in the negotiations, accusing them of a biased approach to the conflict and trying to prolong the fighting. Nevertheless, the UK is reportedly sending Prime Minister Keir Starmer's security adviser, Jonathan Powell, to meet with Zelensky ahead of the talks to provide "*background advice*" on how he should handle the meeting.

The Guardian reported that Powell's advice is expected to focus on making sure that Zelensky does not do "*anything that alienates Trump*" and equip him to persuade the US president that Putin is the "*obstacle to peace.*"

The purpose of illusions is to hide what is really going on.

In this case, the illusion the British are trying to create is that there is a power behind Ukraine which can and will sustain Ukraine in the war.

But the real agenda is the continuation of Britain's foreign policy of the last 130 years, to destroy Germany as a power in Europe and to generally weaken the other European powers.

The British have every reason to be very pleased with how this policy is progressing. Dead Ukrainians and Russians are just collateral damage in the pursuit of that policy.

In terms of explaining what the British are up to, and they do seem to be the main organisers of the pro-Zelensky show, that makes a lot of sense. However, for the last 100 years the British have again and again needed the United States in order to achieve their designs in Europe. What they're

doing right now has dangers for them.

Britain has a more limited role for itself these days, to remain the regional hegemon.

After the WWII, the situation was difficult. The USSR was a regional power that could only be balanced by the US. Britain had to accept the primary role of the US in the region. But things did not stand still.

The USSR dissolved itself in 1991.

Germany united and emerged as the economic power in Europe.

The Europeans adopted a single currency.

But most important was the emerging political and economic relationship between a united Germany and Russia.

Both the US and Britain feared this. They were well aware of what Mackinder had written of such a development, i.e. an excessive concentration of power in the biggest continental landmass.

To that extent Russia did represent a threat to the role of the US as regional hegemon in Europe.

The eastwards expansion of NATO was designed primarily to

disrupt the developing German and Russian relations.

It has been successful. What Mackinder feared, an alliance of Germany and Russia, has been put to rest for a long time.

Russia is now no longer a threat to Europe and to the primacy of the US in Europe.

For precisely that reason, that Russia is no longer a threat to Europe, the US has little interest in having a primary role in Europe. It is happy to leave it to the Europeans to do their own thing, safe in the knowledge that they are capable of doing very little.

Much of British foreign policy is designed to make itself the new regional hegemon.

In this it is proving successful. France and Germany look to Britain when leadership from the US is lacking.

But the seeds of the collapse of Britain's regional hegemon policy are already in the wind. Friedrich Merz, the new German Chancellor, has stated that Germany must have the biggest army in Europe and the AfD want friendly relations with Russia.

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Liberalism, Neoliberalism and the Trade Union Movement

By Martin Seale

The liberalism of the late 19th century was characterized by the view that the role of the state should be limited. The state would protect the nation from external enemies, enforce the rule of law (much around property) and provide some limited form of education. British capitalism seemed to function reasonably well up to the 2nd half of 1920 on the basis of this view on the limited role of the state.

But in 1929 the great depression occurred. Before 1914, British capitalism had experienced its ups and downs and recessions. It had always recovered from these recessions. It was assumed that it would recover from the crash of 1929. But it didn't. For the first time, economists and politicians were forced to consider the possibility that capitalism could settle into a condition of permanently high unemployment. William Beveridge, in his 1943 book 'Full Employment in a Free Society', summarizes this realization:

"The central problem of unemployment between the wars in Britain was not what it had appeared to be before the first World War. It was not a problem of cyclical fluctuation reducing demand for a time, or of disorganization of the labour market, wasting men's lives in drifting and waiting. It was a problem of general and persistent weakness of demand for labour." Paragraph 114.

Economic theory suggested this could not happen. Beveridge writes:

"...long before, in 1913, Professor Pigou had carried the argument about wages to the point of saying that it was theoretically possible for wage-rates at any moment to be so adjusted in every

part of the industrial field 'that no unemployment whatever can exist.' ...'In other words, it has been shown that unemployment is wholly caused by maladjustment between wages and demand.' "Ibid paragraph 119.

In 1936 the economist John Maynard Keynes questioned existing economic theory in his book 'The General Theory of Employment, Interest and Money'. Keynes argued that capitalism could indeed settle into a condition of high unemployment. Beveridge summarized Keynes' argument as follows:

"Employment depends on spending, which is of two kinds — for consumption and for investment; what people spend on consumption gives employment. What they save, i.e. do not spend on consumption, gives employment only if it is invested, which means not the buying of bonds or shares but expenditure in adding to capital equipment, such as factories, machinery, or ships, or in increasing stock of raw material. There is not in the unplanned market economy anything that automatically keeps the total of spending of both kinds at the point of full employment, that is to say, high enough to employ all the available labour. Adequate total demand for labour in an unplanned market economy cannot be taken for granted." Ibid paragraph 120.

Keynes further argued that the only institution that could get capitalism out of a condition of persistent high unemployment was a strongly interventionist state. Basically the state could and should employ everyone whom the private sector did not want to employ.

The incomeless unemployed

would become the money spending employed. This would give the private sector the confidence to start hiring again. In this way a recession was avoided. The intervention of the state was seen by Keynes as being only a temporary requirement until private capital recovered its confidence.

The question arose over where the state would find the money to pay the workers it was hiring. Beveridge did not see that as a problem because the state was not financially constrained:

"During peace the bulk of the outlay can, and in a free society will, continue to be private. But the ultimate responsibility for seeing that outlay as a whole, taking public and private outlay together, is sufficient to set up a demand for labour seeking employment, must be taken by the State, because no other authority or person has the requisite powers. No private enterprise can survey the whole field of industry or ensure at all times a demand for all that industry can produce at a price covering its costs. No private enterprise can make finance its servant rather than its master. The outlay of every person or authority **other than the State** is limited rigidly by the financial resources of that person or authority. The central proposition of this Report is that the responsibility of ensuring at all times outlay sufficient in total to employ all the available manpower in Britain should formally be placed by the people of Britain upon the State. That first and foremost is what is meant by adopting a national policy of full employment." Ibid paragraph 120.

Keynes preferred that the workers hired by the state

would engage in productive employment. But he understood that this was not the essential part of his solution. If the hired workers dug holes and filled them in again, the increase in demand when they spent their wages would induce the private sector to hire workers to meet that increased demand. The initial increase in spending by the state would either directly or indirectly lead to the production of goods or services that were useful to the society.

The first outcome of Keynes' theory of economics was that the direct intervention of the state might be needed to end a recession. However, there was a second important outcome. Before Keynes it was assumed that workers were unemployed because they were lazy or unprepared to work at a lower wage. Keynes' analysis showed that this was not the case. Workers were unemployed through no fault of their own. This being so, the case for providing them with welfare, while unemployed, became very strong. It would result in the production of Beveridge's design of a welfare state in 1942.

Liberalism could have accepted the implications of Keynes' theories but would have limited the role of the state to ending unemployment and providing some form of temporary welfare. However, the specter of socialism was on the march after the Russian communist revolution in 1917. In Russia, the state took a much more active role in deciding what goods and services were produced. Keynes would have had little sympathy with these ideas though he would probably have supported the creation of an institution like the NHS.

Either way, by the late 1940s the fundamental liberal idea of a small state was well and truly

ended. For the next 30 years it was assumed that the state in a capitalist society should have responsibility for guaranteeing full employment and also for managing key services and industries.

This arrangement led to significant improvements in the condition of the working class over the next 30 years. But the arrangement had its own internal contradictions which would lead to its demise in the late 1970s. Beveridge identified two such contradictions: 'Industrial Discipline' and 'Determination of Wages'.

Beveridge was fairly certain that industrial discipline would not be a big problem. But of the second contradiction he has this to say

"The problem of how wages should be determined under conditions of full employment is more important and more difficult ... Irresponsible sectional wage bargaining may lead to inflationary developments which bestow no benefits upon the working class; which spell expropriation for the old-age pensioner and the small rentier; and which endanger the very policy of full employment whose maintenance is a vital common interest of all wage-earners. How real is this possibility cannot be decided on theoretical grounds..." *ibid* paragraph 283.

"...But the fact remains that there is no inherent mechanism in our present system, which can with certainty prevent competitive sectional bargaining for wages from setting up a vicious spiral of rising prices under full employment." *ibid* paragraph 285.

It took some time before the internal contradictions that Beveridge had identified began to reveal themselves. In fact,

as Beveridge expected, free collective bargaining worked reasonably well until the mid-1960s.

In the mid-1960s and early 1970s the Vietnam war and the increase in oil prices led to a dramatic increase in the cost of living. Under these pressures the collective bargaining process broke down as sections of the working class attempted to defend their living standards. What Beveridge had highlighted and feared 30 years previously came to pass. Beveridge wrote:

"So long as freedom of collective bargaining is maintained, the primary responsibility of preventing a full employment policy from coming to grief in a vicious spiral of wages and prices will rest on those who conduct the bargaining on behalf of labour. The more explicitly that responsibility is stated, the greater can be the confidence that it will be accepted." *ibid* paragraph 288

It was a prophetic observation since this 'primary responsibility' of the trade union movement was increasingly abandoned from the late 1960s in the face of growing inflation. Much of the politics of the period from the late 1960s was taken up with how to deal with the exercise of power by the British trade union movement. One sees that first with Barbara Castle's 'In Place of Strife' white paper in 1969, Heath's tripartite talks in 1971, the Bullock commission on industrial democracy in 1976. But the British trade union movement refused to present a coherent view about how incomes should be distributed in British society. In the ensuing chaos Margaret Thatcher emerged. She decided that the only solution was to severely limit the power of the British trade union movement. She and her successors continued

that task for the 18 years from 1979 until 1997. More importantly, the 1997 Labour Government under Tony Blair and Gordon Brown, which would govern Britain until 2010, made no attempt to reverse Thatcher's destruction of the trade union movement.

The destruction of the Trade Union Movement is perhaps the main way in which neoliberalism is different to liberalism. A small state and minimal welfare are features of neoliberalism as they were of original liberalism.

Neoliberalism abandoned first the commitment to full employment. If the private sector did not want to hire all those who wanted to work, it was not automatically the responsibility of the state to employ them. Indeed, the state might not be able to employ them because it did not have the money to employ them.

This idea that the state might not have the money to employ the unemployed was first given strong credence when the Labour chancellor, Denis Healy, claimed that the British state was bankrupt and would need to take out a loan from the IMF. Healy made such a statement, not because he believed it, but because he could think of no other way to end the wage-price spiral inflation caused by the shortsighted sectional behaviour of the trade union movement in the 1970s.

The election of the Thatcher government in 1979 is usually described as representing a move to the right by British society but that is an over-simplification that doesn't really help us understand the actual dynamics of what Thatcher represented. It also avoids the culpability of the labour movement in creating the conditions in which someone like Thatcher could thrive. A more accurate description would be that she represented the reaction

of the electorate to the political and economic future that the labour movement had threatened to create through its myopic behaviour in the 1970s. At that time, the trade union movement had shown by its actions that it was in control of most aspects of civil society from the disposal of the dead to the people's access to energy and light. The question that dominated the concerns of civil society was how that power was to be used in the future. Up to then that power had been seen to assert itself as a disruptive power used in a sectional interest. What remained to be seen was whether it could be used responsibly by putting it to a more constructive use in the wider society.

In many ways the answer was given in the rejection of the 1977 Bullock Report on industrial democracy. That rejection came about through the dominant influence of a narrow sectional mindset among most of the trade union leadership and an ideologically constrained left-wing in politics. The electorate was confronted with a Labour leadership that was unable to influence the way in which the enormous power of the trade union movement was being used. Consequently, the Labour Party was seen to offer no alternative to the ongoing prospect of continued industrial strife and anarchy. An incompetent trades union movement enabled the arrival of Thatcher into British politics.

Has the trade union movement progressed beyond the limited view of the world that dominated its thinking in the late 1970s? Sadly the answer to that question is in the negative. There were some trade unionists who understood there was a bigger problem. Jack Jones, the leader of the Transport and General Workers Movement had perhaps

the best grasp of the issue. The TUC leader Frances O'Grady had some feeling for the problem. Len McCluskey also had some recognition that there was a bigger problem.

But in general the trade unions have largely confined themselves to pursuing the interests of their members rather than attempting to work in concert with other unions to progress the interests of the working class as a whole. In short, we cannot look to the current trade union leaders for leadership in opposing the neoliberal policies being pursued by the Starmer Labour government. As long as that state of affairs continues, the working class will be unable to win in the struggle with Capital and the state shall remain what it became under Thatcher, a state that advanced the interests of Capital.

There is one interesting light on the horizon in the form of a very rich ex trader called Gary Stevenson. Stevenson believes that, until inequality is dramatically reduced, there is no hope for British society. His remedy for reducing inequality is to tax the rich, though his proposals on the form of that taxation is yet to be decided. Will it be a wealth tax or an income tax or possibly a mixture? His YouTube channel advocating taxing the rich has some 1.5 million subscribers. Trade unions would be generally supportive of higher taxes on the rich. But it's not an idea that they put at the top of their agenda. In contrast, Stevenson has just one policy, to reduce inequality by significantly increasing taxation of the rich. It will be interesting to see how Stevenson develops his campaign over the next few years and whether the trade unions support it with equal vigour.

Notes on the News

By Gwydion M. Williams

China as a Global Example Society Exists, and Immigrants Strain it From Slave Plantations to the Vatican Incomplete Humans Praising Incomplete Brain-Machines Cure the Internet with a Digital Passport Snippets

Young people tricked into crimes

Canada to Split?

Humans With Human Limits

China as a Global Example

“From Edison to Amazon, the US consistently invented the global future. The country suffered periodic anxieties about being overtaken, by the USSR in the 1960s, and by Japan in the 1980s. But America’s first plausible rival — the only one with the requisite scale of manufacturing, consumer markets and scientific brainpower — was China...

“Suddenly, this year, a chorus of American tech moguls is saying China has taken the lead. By 2030, the world might be using Chinese AI apps on Chinese devices while driving near-autonomous Chinese electric cars. If China has jumped from copying American tech to surpassing it, where does that leave Silicon Valley — and its relationship with its own country?”¹

Concerning the USSR, I’d been saying from the 1970s that the Khrushchev / Brezhnev line was wasting everything that Stalin had built by ruthless determination. And after the near-overthrow of Chinese Leninism in June 1989, that the Chinese version of Stalin’s system would last if it kept its nerve.^{2 3}

It must have helped that they never denied that Mao’s own version of ruthless determination had succeeded. Or that his successors were very much part of the ruthlessness, until it applied to the party machine itself. (That was what the Cultural Revolution was all about.)

Mao’s heirs got super-fast growth by retaining such ruthlessness to keep emergent capitalists under

control. Yeltsin let Russia be looted and impoverished by tricksters with a large element of violent crime. Criminals are also found in China, but don’t dare challenge the authorities.

How could good intentions go so wrong? Partly it is a confusion of language. People say ‘Freedom’, but what they *mean* is *freedom within my own acceptable limits*.⁴ Which need not be the same as your own notion of ‘acceptable limits’. Not on a whole range of matters.

One simple example is sex and gender. I’m old enough to remember when gay males were legal but expected to stay invisible, which had always been the case for lesbians. And I remember being gradually persuaded that this was unfair, having initially accepted it in an unquestioning manner.

It was certainly not an automatic understanding that freedom must be whatever the West’s media elite currently thought it was. Their global influence is in fact regressing beyond the West as a backwash from Western economic and military aggression. That includes a regression of tolerance for gays, which is very unfair. Which is also not unexpected.

China right now is reasserting a ‘*don’t ask don’t tell*’ limit, pushing gay culture out of sight as it feels threatened by Western subversion. In India, almost any non-standard behaviour is tolerated, but gay relationships have limited legal recognition: part of a general move towards one particular view of Hindu traditions.

For economics, China flourished because its party-state machine sets limits and enforces them. Makes business interests serve them, as someone recently commented:

“Why China’s Stock Market Lags Behind Its Booming Economy

“China’s economic growth has been incredible it’s now the world’s second-largest economy, a tech and manufacturing powerhouse. But here’s the puzzle: while the economy has soared, China’s stock market has barely moved in 20 years. Why? The answer lies in hypercompetition. Unlike in the U.S., where big companies like Apple and Google dominate for years, China’s market is a battlefield. The moment one company succeeds, ten rivals jump in with cheaper or better products. The government helps fuel this—it cracks down on monopolies, so no company gets too powerful. Alibaba, Tencent, and others have all faced strict antitrust rules. Plus, Chinese consumers aren’t loyal to brands—they chase the best

⁴ <https://labouraffairsmagazine.com/problems-magazine-past-issues/post-liberalism/>

¹ <https://www.ft.com/content/674a2f24-05d3-4845-92a9-4c65996bdfa1> - pay site

² <https://labouraffairsmagazine.com/very-old-issues-images/magazine-001-to-010/magazine-012/what-tiananmen-1989-was-really-about/>

³ <https://labouraffairsmagazine.com/m-articles-by-topic/42-china/42-1-chinese-politics/communist-chinas-1989-fight-for-survival/>

deal, forcing companies to keep innovating and cutting prices. This means economic growth benefits consumers, not shareholders. Profits stay thin because competition is so fierce. In the U.S., big firms enjoy high margins and steady returns. In China, companies must constantly fight just to survive.

“So, while China’s economy grows, its stock market doesn’t boom like America’s. But that’s not necessarily bad—it means more innovation, better prices, and a dynamic economy. The lesson? A strong stock market doesn’t always mean a strong economy—sometimes, it’s the opposite. China’s model is different, and that’s why its stocks tell a different story.”⁵

And that was not the only choice. Western ‘experts’ say and seem to believe that Mao left China a wreck: that the USA under Nixon and Kissinger graciously rescued it. But detailed figures exist: China under Mao grew faster than the USA.⁶ Lifespans grew faster than in other similar poor countries.⁷ Critics give far too much importance to a 1959-61 setback caused by excessive optimism. They ignore more than 20 years of grand achievements that needed just the same optimism. As US business tycoon Zuckerberg put it, *move fast and break things*.⁸

Fans of *Star Wars* are circulating the phrase *revolutions are built on hope*: it would surely surprise them to learn that this was exactly what Mao was about. Myself, I’ve always seen the morals and politics of the *Star Wars* franchise as rather silly.⁹ Also their views

5 <https://x.com/angeloinchina/status/1923339005615280372>

6 <https://labouraffairsmagazine.com/recent-issues/2019-11-magazine/2019-11/>

7 <https://labouraffairsmagazine.com/m-articles-by-topic/42-china/china-three-bitter-years-1959-to-1961/>

8 https://en.wikipedia.org/wiki/Meta_Platforms#History

9 <https://gwydionmadawc.com/050-about-science-fiction/the-moral-void-in-star-wars/>

on gender and race started out much inferior to *Star Trek*, which itself has updated over the years.¹⁰

For China, the ‘experts’ don’t question the hard data: they simply ignore it. That’s the trash that Western politics has been relying on.

Society Exists, and Immigrants Strain It

We humans probably evolved separate cultures and languages even before we became modern humans with modern skills. Chimps sometimes use simple tools, but different tools in different regions. Whales sing different songs in different ocean basins. So it is unlikely we were ever one culture or could all talk to each other. And if we were, we quickly diverged.

But we could do things that earlier breeds of human could not. And possibly evolved complex ceremonies and most notably marriage to filter out the not-quite-human relatives’. Keep out those who could not manage it, just as a chimp could not manage it. No adult chimp can even be trusted to live free among humans.¹¹

Maybe Neanderthals *could* manage our ceremonials: we have some of their DNA, and we keep finding evidence that they were much closer in culture than was once thought. And I am confident that normal individuals in all current human cultures and so-called races have essentially the same abilities.¹²

But express them differently. Just as a cook with milk, eggs, and tomatoes could produce a range of different meals, so do cultures shape people into *different*

10 <https://www.quora.com/q/pwgwxusqvnzrlzm/Star-Wars-the-Nordic-Generation>

11 <https://labouraffairsmagazine.com/m-articles-by-topic/20-science/chimps-are-never-tame/>

12 <https://labouraffairsmagazine.com/problems-magazine-past-issues/post-liberalism/being-an-aboriginal-european/>

functional humans.

Ceremonies also test a willingness to conform to the local human norm, as well as the capacity to do so. Necessary for a human society to survive.

We are never just ‘*we humans*’. Up till the 1960s, there was a real chance that most of the global population would be absorbed into either a Russian version of modernism or an Anglo one. The utopias of H G Wells were an inspiration for both, but this technocratic vision always had critics. One was E. M. Forster’s 1909 science fiction story ‘*The Machine Stops*’: but he had nothing better to offer. And the Soviet Union as modelled on Wells did the bulk of the work in defeating the Nazi alternative to liberal failures in the 1930s.¹³

The Soviet Union messed up first, becoming much too crudely Russian in imposing its own values. Stalin had understood that it was a tricky process. He was a Georgian who had adapted to Russian culture, and there’s a suspicion that his family had Ossetian origins. In any case he had a system that balanced national and universalist feelings, and passed on the same to Peoples’ China. But within a few years Khrushchev had invaded Hungary and quarrelled with China. From there it was downhill all the way, ending with Gorbachev and Yeltsin thinking they could say ‘freedom’ and not have events spiral into ends they had never intended.

You influence some of the people, some of the time. That’s what a society is. But the liberal idea of it is muddled and conceited. It supposes that their own system is *natural* and must prevail. And are lost when it does not:

“The [Far Right] AfD believes that ethnic Germans have a

13 <https://www.quora.com/q/mrgwydionmwilliams/Nazi-Germany-Was-Defeated-in-Russia>

special connection to their country due to their shared culture and experiences, which non-ethnic German citizens lack, especially those from civilizationaly dissimilar societies across the Global South who only recently arrived there.

“These views actually aren’t extremist at all since they’ve been shared by the vast majority of humanity throughout history in their own contexts. In fact, they’re still popular in non-Western societies, the same places from which most of Germany’s non-ethnic-German population originates. From Africa to West Asia and the Indo-Pacific, most of these countries believe that original inhabitants have a special connection to their country, which can take several generations for newcomers’ descendants to share.”¹⁴

If you believe that it takes several generations to assimilate, you are something other than a racist. A racist would deny it could ever happen. Saying it takes time and needs limited numbers is just realism.

Unstructured democracy fails. The rich can dominate by encouraging fear and suspicion.

From Slave Plantations to the Vatican

I wasn’t surprised that the new pope wasn’t one of the cardinals from Black Africa. But noticed that a European and Roman Catholic debt to Black Africa has been paid in another way.

According to DeepSeek,¹⁵ there were three confirmed past popes from Africa. All from Romanised North Africa, which Christianised early. But an objective view would place North Africans closer to South Europeans than to Sub-Saharan Africans. It was military and historic accidents that made

¹⁴ <https://korybko.substack.com/p/the-afds-views-on-nationality-actually>

¹⁵ <https://askaichat.app/onboarding-deepseek>

them mostly Muslim and Arabic-speaking.

On his mother’s side, Leo XIV / Robert Prevost is descended from the small minority of survivors from among the many victims of New World slavery. Mixed race families from New Orleans and from Hispaniola in the West Indies.¹⁶ And ‘mixed race’ mostly means past sexual exploitation of black women; quite often outright rape.

It is not common for people from this background to get the top jobs. Obama’s father was from Kenya, East Africa. The father of Kamila Harris was Jamaican, with a probable ancestor who was an Irish plantation-owner:¹⁷ but she didn’t get the top job.

This new pope seems as firm as Pope Francis on the rights of the poor. But rather than see the positive, a lot of supposedly left comments regret that he will not ditch the entirety of Christian tradition when trendy Anglos believe something different. Myself, I saw logic in the position of the late Pope Francis:

“While maintaining that homosexual acts are sinful, he has emphasized that LGBTQ+ people should be treated with dignity and respect, and not marginalized. He has also expressed support for civil unions for same-sex couples and permitted the blessing of same-sex unions”¹⁸

This keeps solid ground, while protecting gays. For if Christians historically were basically wrong on sex, why should they have any authority on any other matter? *Bacchus Rules OK*, possibly.

I myself take a secular view. But most Western secularists are losing realism about how the world can actually be improved. Remain baffled but dogmatic as

¹⁶ https://en.wikipedia.org/wiki/Family_of_Pope_Leo_XIV#Maternal_family

¹⁷ https://en.wikipedia.org/wiki/Donald_J._Harris#Early_life

¹⁸ Google / AI Overview

they lose ground even at home.

Incomplete Humans Praising Incomplete Brain-Machines

Intelligence isn’t a thing. It’s a mix of many things, some many-splendored. Some probably outside our current understanding. I’ve talked about it before:

“Unlike a computer, specific tasks happen in particular locations. Computers usually have a Central Processor Chip and a few extra microprocessors for special tasks like graphics. The brain has dozens of specialist areas and no obvious centre. Brain damage may knock out one particular function and leave the rest of the brain working fine.”¹⁹

People may be normal or superior in most talents, but lacking others. Dyslexics cannot handle the written world. People with Amusia cannot recognise familiar tunes, such as *Happy Birthday* in Anglo culture. People on the autistic spectrum cannot handle normal social relationships, but may be brilliant at abstract analysis.

One sensible explanation for this is the ‘Thousand Brains’ hypothesis. As well as specialist centres for talents, we have a number of separate centres that try to balance these for actual actions:

“Western culture is built on the concept of ‘The Individual’. A free-standing entity that should be left alone, as far as possible. And vast changes since the 1960s can be explained as individuals discovering who they really are...

“Human brains are not fixed individual identities. The Western liberal view leaves most of us unsatisfied, and people in other cultures

¹⁹ <https://labouraffairsmagazine.com/m-articles-by-topic/m99-topic-menus-from-long-revolution-website/20-science/and-so-say-all-of-me/>

increasingly doubt it.²⁰

There may be many ‘persons’ inside us. All of these access our actual bodies through an older brain centre inherited from the first mammals. Seeing danger, it chooses between two ancient survival strategies: running fast or else freezing and hoping not to be noticed. It often does so when our intelligences wish otherwise, and perhaps know that this is not the best response. So we run when we will certainly be caught, or we freeze in the face of an oncoming tidal wave.

But it’s not absolute: people are less likely to freeze if others are shouting clear commands (“RUN NOW!”).²¹ That’s also why army training works, but on occasions a whole military unit will run. Or some run and some stay: people with experience of war say that a novel called *The Red Badge of Courage* has it shown very realistically.

And away from threat and violence, anyone who drinks alcohol knows that it knocks out those parts of our brain that inhibit risks and violence, and also notions of shame and guilt. Good in moderation, and disastrous if it runs out of control.

As for AI, brain machines: to get useful results the experts have so far had to build systems that are utterly unlike human brains. That surpass us on some matters, but cannot do things that a very average human 5-year-old will have no trouble with.

From very early in the Computer Age, computers were doing maths that was beyond the human experts. But only recently could they handle words with any dexterity.

Dextrous, but horribly flawed:

“In his classic essay *On*

²⁰ <https://mrgwydionmwilliams.quora.com/A-Thousand-Brains-We-Think-as-a-Collective>

²¹ From DeepSeek: <https://askaichat.app/onboarding-deepseek>

Bullshit (1986), a liar and a truth teller are playing the same game, just on opposite sides. Each responds to facts as they understand them and either accepts or rejects the authority of truth. But a bullshitter ignores these demands altogether...

“Frankfurt’s essay neatly describes the output of AI-enabled large language models. They are not concerned with truth because they have no conception of it. They operate by statistical correlation not empirical observation.

“Their greatest strength, but also their greatest danger, is their ability to sound authoritative on nearly any topic irrespective of factual accuracy.”²²

Liars mostly don’t lie without hoping to gain from the lie. Fantasists are much more dangerous:

“A.I. Is Getting More Powerful, but Its Hallucinations Are Getting Worse

“A new wave of ‘reasoning’ systems from companies like OpenAI is producing incorrect information more often. Even the companies don’t know why...

‘Last month, an A.I. bot that handles tech support for Cursor, an up-and-coming tool for computer programmers, alerted several customers about a change in company policy. It said they were no longer allowed to use Cursor on more than just one computer.

“In angry posts to internet message boards, the customers complained. Some canceled their Cursor accounts. And some got even angrier when they realized what had happened: The A.I. bot had announced a policy change that did not exist.

“‘We have no such policy. You’re of course free to use Cursor on multiple machines,’ the company’s chief executive

²² <https://www.ft.com/content/55c08fc8-2f0b-4233-b1c6-c1e19d99990f> - pay site

and co-founder, Michael Truell, wrote in a Reddit post. ‘Unfortunately, this is an incorrect response from a front-line A.I. support bot.’

‘Today’s A.I. bots are based on complex mathematical systems that learn their skills by analyzing enormous amounts of digital data. They do not — and cannot — decide what is true and what is false. Sometimes, they just make stuff up, a phenomenon some A.I. researchers call hallucinations. On one test, the hallucination rates of newer A.I. systems were as high as 79 percent.

“These systems use mathematical probabilities to guess the best response, not a strict set of rules defined by human engineers. So they make a certain number of mistakes. ‘Despite our best efforts, they will always hallucinate,’ said Amr Awadallah, the chief executive of Vectara, a start-up that builds A.I. tools for businesses, and a former Google executive. ‘That will never go away.’”²³

The rich IT bosses hope to sack most of the lesser humans, and soon afterwards download into immortal computers. And are deluding themselves. Incomplete humans, as shown by the messes several of them have made as advisors to President Trump.

Cure the Internet with a Digital Passport

“Almost half of young people would prefer a world without internet, UK study finds

“Half of 16- to 21-year-olds support ‘digital curfew’ and nearly 70% feel worse after using social media...

“A quarter of respondents spent four or more hours a day on social media, while 42% of those surveyed admitted to lying to their parents and guardians about what they do

²³ <https://www.nytimes.com/2025/05/05/technology/ai-hallucinations-chatgpt-google.html> - pay site

online.

“While online, 42% said they had lied about their age, 40% admitted to having a decoy or ‘burner’ account, and 27% said they pretended to be a different person completely.”²⁴

The current set-up is failing because it sticks to libertarian principles - allow anything and hope it all ends well.

As far back as the year 2000, I was warning that the whole *Liberation By Internet* idea was a fantasy.^{25 26}

Part of a New Right fantasy that has failed to improve the West’s economy beyond what was already being done from the 1940s to 1970s

Having a Digital Passport would fix many problems. We accept that passports are needed for the physical movements of our bodies. They would also expose people doing on-line harassment or spreading false stories. And need not reveal anything more about ourselves than we wish to make public. Just stop anyone from lying about it.

Snippets

Young people tricked into crimes

“Thailand was the first country in Asia to legalise the use and purchase of cannabis leaves in February 2021 and the whole plant in June 2022.

“The Thai authorities were trying to alleviate the overcrowding in their prison system.

“The evidence suggests that the result has been an opening

²⁴ <https://www.theguardian.com/technology/2025/may/20/almost-half-of-young-people-would-prefer-a-world-without-internet-uk-study-finds>

²⁵ <https://labouraffairsmagazine.com/about/about-2/998-from-labour-affairs/the-french-revolution-and-its-unstable-politics/against-globalisation/the-web-is-always-insecure/>

²⁶ <https://labouraffairsmagazine.com/m-articles-by-topic/46-globalisation/46-1-more-on-globalisation/the-internet-as-secret-policemans-friend/>

of the floodgates for the international drug smugglers, who regard naive young travellers as easy prey.”²⁷

Drug traffickers might also ‘feed’ outsiders to corrupt elements in drug enforcement, who have to show some successes.

I’d also say that Thais should fix their society rather than think they can live with drugs. But it’s up to them how they do this.

*

Canada to Split?

If Trump hopes to break up Canada and take in the parts most similar to the USA, he may well succeed. Canada’s West and East have distinct cultures with solid views of themselves. But in the middle, Alberta in particular does not feel at home:

“We have more in common with America than the rest of Canada’...

“Who thinks the province should push for a split from Canada and form its own nation? About half the crowd raise their hands.

“How many people would

²⁷ <https://www.theguardian.com/world/2025/may/19/young-british-woman-held-on-drug-charges-in-sri-lanka-could-be-linked-to-culley-case>

like Alberta to join the US?’ Another show of support from half the crowd.”²⁸

Trump might also not be unhappy if the USA itself were to voluntarily dissolve itself, with the current polarised sides each going their own way. He may see the current mix as beyond saving.

*

Humans With Human Limits

«Record number of river-blocking barriers removed in Europe, report says

«Hundreds of dams, weirs, culverts and sluices dismantled in 2024 to help waterways resume natural course.»²⁹

Europe would be a dismal place without *some* controls. But technocratic values took things too far. More thought on the matter is now necessary.

*

Old newsnotes at the magazine websites. I also write regular blogs - <https://www.quora.com/q/mrgwydionmwilliams>

²⁸ <https://www.bbc.co.uk/news/articles/cgk8r85n1eo>

²⁹ <https://www.theguardian.com/environment/2025/may/15/record-number-river-blocking-dams-removed-europe>

Our nation's founders saw a free press and an educated citizenry as the twin pillars of democratic health. But we no longer live in their world of numerous small, independent presses. These days, the vast majority of Americans get their news from corporately-owned information monoliths and from their local newspapers, most of them corporate subsidiaries as well. That is why humanism and the Humanist magazine are so important. Won't you join us today?

Kurt Vonnegut

No one in this world, so far as I know... has ever lost money by underestimating the intelligence of the great masses of the plain people.

Henry Mencken

No one can make you feel inferior without your consent.

Eleanor Roosevelt

No one can earn a million dollars honestly.

William Jennings Bryan

Palestine Links

[Gaza Humanitarian Foundation: Israel's new model for weaponised aid \(Amira Nimerawi, Sara el-Solh, James Smith & Mads Gilbert, Middle East Eye, 28 May 2025\)](#)

[UN and aid groups condemn US-Israeli initiative after deadly scenes in Gaza \(Middle East Eye, 28 May 2025\)](#)

[Outrage as Netanyahu says no mass starvation in Gaza, suggests Palestinians are overweight \(Ghalia Mohamed, Middle East Eye, 28 May 2025\)](#)

[Smotrich calls for 'rebuilding temple' during Jerusalem Day celebrations \(Middle East Eye, 28 May 2025\)](#)

[Ian McEwan and Zadie Smith among hundreds of cultural figures denouncing Gaza 'genocide' \(Middle East Eye, 28 May 2025\)](#)

[UK court orders police return devices to EI journalist Asa Winstanley \(Omar Karmi, Electronic Intifada, 27 May 2025\)](#)

[Is there no Israeli crime horrific enough to shatter UK Tory support? \(Chris Doyle, Middle East Eye, 27 May 2025\)](#)

[Why Ireland is the Palestine of Europe \(Ali Abunimah, Electronic Intifada, 27 May 2025\)](#)

[In a single week, a new settler outpost erases an entire Palestinian community \(Oren Ziv, +972, 26 May 2025\)](#)

[Gaza doctor grieves her nine children killed in Israeli strike \(Maha Hussaini, Middle East Eye, 24 May 2025\)](#)

[Gaza is the slaughterhouse \(Nora Barrows-Friedman, Electronic Intifada, 23 May 2025\)](#)

[What can the Joint List teach us about building Palestinian political power? \(Rida Abu Rass, +972, 23 May 2025\)](#)

[In 'Severed,' a Palestinian child pieces together the shattered fragments of his life. My new film tells his story \(Jen Marlowe, +972, 22 May 2025\)](#)

[Israel kills 100 Palestinians on Nakba Day \(Nora Barrows-Friedman, Electronic Intifada, 16 May 2025\)](#)

['Render it unusable': Israel's mission of total urban destruction: what soldiers say is a systematic campaign to make the Strip unlivable \(Meron Rapoport & Oren Ziv, +972, 15 May 2025\)](#)

[How Kahanism found its way into the Israeli political mainstream – genocidal rhetoric is not new to Israeli politics \(Natasha Roth-Rowland, +972, 14 May 2025\)](#)

[Israel 'sending soldiers to commit war crimes in Gaza', says former army chief \(Middle East Eye, 9 May 2025\)](#)

[Israel killed my source in northern Gaza \(Wesam Abo Marq, Electronic Intifada, 9 May 2025\)](#)

[Israel claims to care about Palestinian students — so it shuts down UNRWA schools \(Gil Gertel, +972, May 2025\)](#)

[Palestinians awoke to bulldozers. Their village was destroyed by noon \(Basel Adra, +972, 6 May 2025\)](#)

[By banning the Muslim Brotherhood to placate Trump, Jordan treads a dangerous path \(David Hearst, Middle East Eye, 1 May 2025\)](#)

How Russia was introduced to capitalism.

Review and synopsis of *Vodka*, a novel by Boris Starling. Published by Harper Collins, London, 2004.

By Eamon Dyas

I read this novel shortly after it was published and it struck me at the time that its explanation of the way in which Russia's transfer to capitalism had taken place was far more convincing than many of the serious non-fiction works that were available at the time. It also brought home to me that sometimes fiction is the most effective means of conveying the reality of how ordinary people experience historic events in ways that escapes an "objective" account formulated with an academic audience in mind.

The novel is set in Moscow between December 1991 and March 1992 against the backdrop of the situation in the city as it experiences the social and economic trauma of the collapse of the command economy of the Soviet Union. The dramatic component that underpins the novel's main theme is a series of child murders that takes place in the city but that, to my mind, is secondary to the way in which the author sets the context of those murders amongst the changes that were taking place in Russian society at a time of great social and economic upheaval.

We are never told the real name of one of the novel's central and larger than life characters who is introduced early in the novel. He is a parliamentary deputy, distillery director, criminal godfather and champion weightlifter and, despite his disdain for the Soviet Union at one time had a tattoo of Lenin on his chest and one of Stalin on his back in the belief, apparently shared by many in his criminal underworld, that should they ever find themselves at the rifle end of a Soviet execution squad the soldiers involved would refuse to fire upon these images.

The man involved goes by the *nom de guerre* Lev and, although he had been a life-long covert enemy of the Soviet system, now looks with disdain and apprehension at the chaos that has erupted in the wake of its collapse. Lev's immediate concern is that amongst this chaos the rival Chechen mafia are moving

into his criminal terrain in Moscow.

"No matter how much we hated the old system' - Lev never used the words 'Soviet Union' - it provided a kind of order. It was predictable. But now the authority is gone, the police are weak and afraid to deal with the black asses from the south - especially the Chechens. They've been allowed to establish a presence here in Moscow, and it looks like it's up to us to send them back home, back to their blood feuds and their tribal armies. We haven't survived communism just to let a bunch of niggers fuck us in the ass." (p.3).

Such were the arguments which Lev used to try to convince two other Moscow criminal overlords to unite as a Slav mafia not only to withstand the potential threat from the Chechens but also to take advantage of the opportunities which the fall of the Soviet Union now presents.

"Everything is up for grabs - cars, weapons, haulage, prostitution, gambling, banking, vodka. Everything. Smuggling income is going to go through the roof; each successor republic will now exercise jurisdiction only within its own borders, so goods stolen in Russia can be legally traded anywhere outside. The central finance system is gone to shit, so there's millions to be had from currency speculation. We've a freedom of movement unthinkable even a year ago. The country's changing day by day. It's the revolution all over again. If we're to take our rightful place in the new Russia, now is the time to strike. But in order to seize this opportunity we too must change." (p.6).

Lev's idea was that the Moscow criminal underworld of the Soviet era was now well placed to take advantage of the emerging state as it sought to change the Russian economy to a market-based one and where the financial resources accumulated by the corrupt and

criminal element could find a legitimate or semi-legitimate outlet in the new economic order. However, Lev is only later to realise quite what this would actually involve.

After Lev we are introduced to another central character in the form of Mrs. Alice Linnell. She is an American banker and advisor to the International Monetary Fund who, previous to her arrival in Moscow, had been instrumental as part of the IMF in the privatisation process of post-communist Eastern bloc countries. She and her team have been invited to Russia by Anatoly Nikolayevich Borzov (a character whom the author admits was based on Boris Yeltsin) and his advisors to establish a template for a national privatisation programme.

The brief

At Linnell and her team's first meeting with Borzov (the Prime Minister Yeltsin character) which takes place on 27 December 1991, he explains what it is he wants from Linnell:

"It's very simple, Mrs. Linnell,' Borzov said. 'Russia is reforming, God knows we're reforming. Prices are being freed next Thursday, we're stabilising the money supply, creating a new tax system, protecting property rights and contracts, and so on. . . And the one thing we need to do before everything else, the one thing that's of paramount importance, is to privatise. The state owns everything, absolutely everything: diamond mines, food stores, oilfields, barbers' shops. Yes Gorbachev's reforms have ushered in some new beasts - leased enterprises, joint-stock companies, economic associations, co-operatives - but these are little more than variations on a theme. If we are to be a proper market economy, the state must own *nothing*, yes? As little as possible, anyway. So we put out some feelers. 'Who knows about privatising

command economies?’ we asked. We asked everyone - international organisations, other governments, embassies - and the one name came up time and again. Yours.” (p.24).

For Alice Linnell this commission represents the apex of what she had been doing since 1989:

“She’s spent the last two years running privatisation programmes in Eastern Europe, suddenly liberated after the momentous autumn of 1989 when government after government toppled, the Berlin Wall was dismantled and the Ceausescus were executed by their own people. If there was a single person who’d shuttled between Budapest, Prague and Warsaw more than Alice had in that time, she’d yet to meet them. But she’s always been conscious that, however important her work there had been, it was little more than a dress rehearsal for the big one - Mother Russia herself.” (p.25).

Also at the inaugural meeting is Nikolai Valentinovich Arkin, the Russian Prime Minister, and someone who shares the Yeltsin character’s plans for the Russian economy. He reminds Linnell that what she confronts in Russia is not like anything she had done before in the ex-Soviet economies of Eastern Europe:

“The West thinks every Russian is delirious with gratitude for the end of the Soviet Union. Not so. There are millions, tens of millions, who fear that reform will lead the country to ruin, and they’re well represented in parliament. Forget the resistance you saw during the coup, Mrs. Linnell; parliament is stuffed full of reactionaries who hope and believe we can’t do what we say we will do. If we don’t prove them wrong and fast, then our window of opportunity will be gone. That’s why something, *anything*, is better than nothing. We don’t need to run an entire privatisation programme, Mrs. Linnell, not yet. . . .

“There’s no history of private property in Russia. Communism succeeded czarism; czarism had succeeded feudalism. Privatisation will be as seismic as introducing money into a barter

economy - I don’t exaggerate. This is why we tell you that Russia’s different. We need to be hurry, but we also need to be realistic about what we can do. To privatise everything overnight, that’s impossible. But a single factory successfully sold off, to show that it can be done . . . Make that work, and the rest will follow. The dinosaurs will see that privatisation is going to happen whether they like it or not.” (pp.26-27).

Linnell is told that her initial task will be to arrange for the privatisation of a selected state-owned business enterprise which will act as the template for the national privatisation roll-out. Although, based on her previous experience, she has estimated that it would require between nine months and a year to arrange for the privatisation to take place she is told that it must be done before the Russian Parliament meets in the second week in March - a mere nine weeks away.

The selected business enterprise that had been designated as an experimental template for the wider privatisation programme was the Red October Vodka distillery in Moscow - the business that was under the charge of the criminal godfather, Lev.

On 31 December 1991, four days after her meeting with Bozov, Lindell calls her team for a gathering in McDonalds in Moscow where she mulls over her previous experience at organising privatisations in the Eastern European countries and considers that:

“When it comes to reforming command economies, there are two schools of thought. The first, shock therapy, holds that it’s best to enact all reforms at once; the social and economic upheaval is so great that a short, sharp jolt is preferable to prolonging the torture with a piecemeal approach. The gradualists take the opposite view; for them, reforms should be staggered in order to avoid large drops in output and mass unemployment, which will in turn threaten political stability and therefore the reform process itself.

“Borzov [the Yeltsin character - ED] had decided to go with the former. They were going to raze the entire communist structure - clearly the institutions of the communist state were inimical to the spirit of enterprise - and in its stead erect a market economy. If this was implemented quickly and vigorously, the essentials of such an economy would then gain the momentum it needed. The role of the state was simple: to establish the rules of the capitalist game and watch the new society unfold.” (pp.41-42).

Within that context it was all the more important that the privatisation of the Red October distillery went as smoothly as possible.

Laying the ground

Lev’s deputy at the Red October distillery and also its head of security, is Tengiz Lavrentiyich Sabirzhan, and he is described thus:

“Sabirzhan was KGB to his bootstraps; the Sixth Directorate to be precise, which had been responsible for industrial security and economic counter-intelligence. That the Sixth Directorate had now been subsumed into a new body, the MSB, altered the nature neither of the organisation nor the man. Sabirzhan had been appointed political officer at Red October in Brezhnev’s day - every enterprise had a political officer, to recruit informers among the workforce and ensure ideological hegemony - but, as stagnation had grown deeper under Andropov and Chernenko, so the KGB had been forced to collaborate with the enemies of the state. Only by striking deals with the organised crime gangs could they prevent internal trade from grinding to a halt.” (p.15).

So it was that the likes of Sabirzhan could continue to serve the state that was now embarked on a policy of dismantling the Soviet economic architecture and to do so while still the deputy and head of security at the Red October Vodka distillery that was run by a Slav mafia boss. Sabirzhan is to play an important role in clearing the decks for the

privatisation at the Red October plant by pressurising a long serving employee at the distillery, a man named German Kullam.

“German had worked at Red October for more than twelve years, latterly on the rectifier, one of two columns which formed the still where the vodka was distilled. For nine of those twelve years he'd also worked for the KGB, keeping Sabirzhan apprised of any dissent among the workforce and any deviation from strict Marxist-Leninist principles. Informing, in other words.” (p.64).

As German's handler, Sabirzhan, now had the task of ensuring that his informing skills were put to use as the means of establishing the level of dissent among the workforce at the distillery when the privatisations plans were announced. With that in mind Sabirzhan visits German's apartment on 5 January where he explains the situation to him:

“Red October is scheduled for privatisation, German, and quickly. We've been chosen as the test case for reform; I need hardly tell you how resistant our people can be to change. You're one of my better assets on the shop floor, German. You've served your country with skill and distinction for almost a decade now; the state is grateful to you, and has rewarded you accordingly. Now is not the time to relax and pat yourself on the back, however. Your services are required more than ever.” (p.65).

In reply to German's question as to what he will be expected to do, Sabirzhan replies:

“Nothing you haven't done a hundred times before: talk, and listen. Spread the word among your colleagues; privatisation will be good for them. Whatever fears they have, everything will turn out right for those who trust the management. Far from spelling the end of the workers' collective, privatisation will enhance their status. A suggestion here, a hint there - you'll have no trouble steering conversation around to the topic, I'm sure. And while you talk, you listen, and then you

report to me: who agrees with you, who's agitating against our chosen course, who's wavering and can be turned . . .” (p.65)

German's initial response to Sabirzhan's instructions was to refuse to comply:

“Because - because it's not right. You believed in the glory of the socialist ideal, Tengiz Lavrentiych [Sabirzhan's first names - ED]; you more than anyone. You told me only a few months back how that ideal was being violated by kids and Western rapists, deluded fools and capitalist lackeys. And now you come here telling me how *good* privatisation will be. What am I supposed to think?” (pp.65-66).

To which Sabirzhan replies:

“You think what I tell you to think, German. We must move with the times.” And after a few veiled threats Sabirzhan leaves in the knowledge that German will do as he has been instructed. It turns out later that German's son, Vladimir, is one of the children of Moscow who goes missing and he is forced to request the help of Lev before his body is discovered.

Market Day - 2 January 1992

Ahead of the privatisation programme Borzov had designated 2 January 1992 as the day in which the market would replace the command economy at the consumer level. This had been an objective set by Borzov and designed to introduce the idea of a free market at the level which involved single or small traders while the upper reaches of the productive economy still remained in state hands. It was true that many such small enterprises were permitted during the Soviet period but “Market Day” was the event where the idea of state subsidies on things like food and drink were to be removed and the market given free rein for the first time.

On the morning of the set day Alice Linnell has decided to go into the streets of Moscow in order to establish how this was working out in practice and how the population was reacting to the novel experience.

“Alice was out on the streets at nine o'clock sharp, fur hat down and collar up to keep the bare nape of her neck from getting cold. She walked round central Moscow all morning and watched the prices climb with the sun. Staff could hardly keep up with the changes; stock markets had crashed with less rapidity. For decades, bread had been thirteen kopeks; the price was so unchanging it was baked into the loaves. By lunchtime, a loaf was two roubles. In a supermarket on Tvarskaya, Alice heard a woman moan: ‘Bread is all I can afford to buy now.’ Polish sausage had doubled to sixty roubles per kilo; petrol had trebled to one rouble twenty per litre; the price of carrots had risen six-fold, from fifty kopecks to three roubles per kilo; a bottle of vodka was now ten days' wages. Everything cost what it cost, not what the state decreed it should.

“The rising prices were a good sign, Alice thought. The billions of roubles hidden under mattresses throughout the country had created a vast monetary overhang, an ocean which had to be absorbed before the economy could start functioning properly. And yet, and yet . . . she could appreciate that economic sense dragged with it social trauma. The people hurrying from store to store looked like accident victims: shock and anxiety crowding their faces, eyes glazed and mouths hanging open, the usual reflexes of speech and action working at half-speed. (pp.52-53).

In one incident the extent of just how foreign her world was from that of the ordinary Muscovite was brought home to her:

“On Novy Arbat, a man in a hideous synthetic parka asked her where the market was. ‘I'm sorry, I'm not from round here,’ said Alice.

‘The market, the market. The one they've all been talking about, the one which starts today.’ Alice laughed. ‘*That* market?’ She waved her arm in an expansive arc. ‘It's all around you.’

‘No. They said a market which

starts today.' Parka Man was convinced that there'd be some physical infrastructure, a material manifestation of this great leap forward. He looked about fifty; he must have spent all his life in pursuit of an ideal which, like Godot, had never come. Alice could hardly blame him for having lost his faith in intangibles." (p.53).

All concerned in this arrangement anticipated a significant rise in the price of consumer goods as on that day the prices of goods would no longer be set by the state but by the free-for-all of an open market. However, this was not seen as an altogether bad thing as those increased prices would represent the high-water level at which the market would subsequently alleviate by the operation of the supply and demand mechanism. On another level, the increased prices would provide a stimulus for workers and consumers to accept the privatisation programme where their entitlement to the shares and dividends in their privatised enterprises would be viewed as a means by which they could meet the market-driven increase in the cost of living.

The opening of negotiations

A good part of the novel is taken up with the complicated relationship that evolves between Linnell and Lev as she works towards getting his cooperation with the privatisation of the distillery. On 6 January, Linnell was scheduled to meet Lev and his management team to discuss the actions necessary for Red October to meet the conditions for privatisation. She provides a broad account of what is going to happen:

"In the past, staff have come to work and they've been paid, irrespective of what they have or haven't done. Now, things are different. State subsidies are on the way out; in their place will come a shareholder's society, where people will have to provide for themselves. They'll come to work, they'll realise production, they'll get money. Workers should see the link between their own work and the income they receive. Make them shareholders too, and they'll work harder, because

their livelihood is determined by profits. . . .'

'Red October has apartments, a school, kindergarten, a day-care centre, supplementary benefits, yes? You can't maintain these on the air, you'll need to start making profits. In a market economy, competition is cruel; it takes decisions independent of your will, as director here, or what the shareholders want, even the government's desires. The market economy allows only those organisations which have arranged their resources properly to remain afloat.'" (pp.73-74).

But Lev was not prepared to roll over and accuses Linnell and her privatisation project as an attempt to:

"Wreck the Russian economy, [and] maintain Russia in some kind of semi-colonial tutelage to the West. You can keep your expertise and your theories. The one thing capitalists are creating is misery. People begging in the streets, folks dying faster than they can make the coffins, no potatoes in the stores, babies born with only half a face, people who can't take a piss because they've got the clap, pensions worth shit. You lot knock us to the ground and they want to buy the wreckage. That's not just shit, it's insulting.

"You were pushing each other out of the way to get on the plane when that fool Gorbachev rode off into the sunset. 'Shock therapy,' you tell us. 'A few months of pain and it'll all be over.' Yes, well, we're getting the shock all right, but I don't see much therapy. And what's the West doing? You sweep in here as if you're emissaries of light, bringing salvation to the natives living in the dark forest. You think you're heroes because people give you free drinks and ask your advice. You think that what works for you will automatically work for everyone else. Your teeth are whiter than ours and your clothes better, so suddenly you're the arbiters of public morality. You assume America's the ultimate model, and so you judge everything simply by how close it comes to

your own ideal. You think you've carte blanche to remake Russia in your own image. You don't, and you won't - not here.'" (p.76).

The first meeting ended with Linnell's position being debilitated by a mixture of Lev's intense hostility to her project and the amount of vodka she consumed. However, this was just the first skirmish.

The next day, 7 January, was the orthodox Christmas and Lev visited the Kazan Cathedral at the north-east corner of Red Square where he prayed for Russia's future and its soul.

On 14 January 1992, eight days after their first meeting, Alice Linnell and her team held their second meeting with Lev and his team. This time she approached the discussions by framing the privatisation of the distillery as an opportunity for it and Lev to flourish. She pointed out that as Red October was to be the inaugural business to be privatised it could secure better terms than those businesses that came later to the process. By cooperating Lev would be freed from the influence of apparatchiks and provided with access to Western capital which in turn would help attract a strategic foreign investor. She then outlined the details of how the shares in the privatised company would be:

"What I propose is that Red October has minority insider ownership. Twenty-five per cent of shares go free to employees and managers. Another ten per cent will be sold at discount. Then there's a final five percent which top managers can buy if they want. The remaining three-fifths are sold to the public at auction.'" (p.130).

But Lev rejected this arrangement because, "It doesn't give the workers enough rights." He then made a counter-offer:

"Insider control - management and workers combined - is set at seventy-five per cent. The remaining twenty-five per cent is offered for sale to the public, with a cap on how much any one individual or institution can own. Oh - and no foreign involvement.'" (p.130).

When Linnell pointed out that American and European firms would bring expertise, cash, technology and access to world supply chains and that foreigners were already involved in the process Lev replied:

“As advisers, yes; not as participants. In Poland you planned national investment funds to manage and have equities in privatised enterprises, didn't you? And who was to manage these funds? Foreign firms. Foreign firms who'd gain control of Polish assets, who'd strip such assets for short-term profits, who'd sell off Polish firms at bargain basement prices or shut them down altogether. You must be a fool if you think I'm going to allow you to repeat that here.” (p.131).

The author of the novel explains the reasons that were behind Lev's agitation on the question of privatisation:

“Profit and loss, shareholder rebels, corporate raiders, bankruptcy - these were all alien concepts for Lev, and they made him afraid. The prospect of an annual shareholders' meeting whose remit included the election of directors, the appointment of the auditing committee and the company's reorganisation or liquidation was particularly unnerving. One man, one vote, he said. Alice [Linnell -ED] tried to reassure him: the meeting needed to be attended by half of all shares; directors would be elected by a simple majority for a two-year term, at the end of which they could seek re-election as long as they were still alive; reorganisation or liquidation needed seventy-five per cent approval. It was one *share* one vote, she explained. One man one vote, he argued; one man, one vote, even when she explained that under that system he'd have no more power than the humblest of his workers.

“In the old days, Lev hadn't needed to know - and consequently wasn't interested in - anything other than what would help Red October meet centrally imposed schedules.

Everything else had already been settled at levels high above him, in the upper echelons of central programming. Gosplan set the plan, Gostsen the prices, Gossnab distributed supplies, Gostrud decided labour and wage policy, Gostekhnika directed research and technology. The disillusioned referred bitterly to Gostsirk, the state circus which specialised in bureaucracy gone crazy.” (p.132).

By lunch time it was becoming obvious to Linnell that Lev wasn't going to provide her with all she was demanding. She phoned Arkin to report on the results of the negotiations up to that point and he tells her she'll have to concede at least to most of Lev's counter-proposals involving majority insider control and no foreign ownership.

“Alice thought of the men in Washington, in New York, in Paris and Brussels and Geneva and London and Frankfurt, all wanting a piece of the pie. They had made their help contingent on Russia treading an approved path.” (p.133).

She asked Arkin what would making such a concession achieve as it merely meant replacing one makeshift system with another. Arkin's reply was that ‘It'll get property out of state hands’. To which Linnell replies that it would only move it into the hands of Lev and a thousand other like him. She asks where's the difference. Arkin replies that:

“The difference is political. A new class of investor, a new kind of stakeholder. That's what we need most of all right now. If this is the price we have to pay, then it's worth it, it's a necessary evil. [And] ‘Just for now, just to get it through. We haven't got the time otherwise. You know how fast things change; it will all be different in six months' time. Don't sweat the foreign exclusion on this one. There are still plenty of ways into the market: joint ventures, trade agreements, consultancies, and all that.’” (p.133).

The final negotiations

But Arkin's instruction that she'll have to concede at least *most* of what Lev was demanding left her some room to make a final effort to push the negotiations a bit closer to what she had been asking for. In the post-lunch discussions Lev displays the thinking behind his position. This was a mixture of Russian nationalism, Orthodox Christianity, aspects of the old Soviet values and the paternalistic code of the mafia overlord. We witness this when Linnell informs him of the changes that will be necessary to make the distillery fit for market purpose. These included making significant changes to existing work practices, the timetabling different shift patterns and making drastic cuts in the workforce itself. There then follows a long interaction which is initiated by his response:

“The workers: it always came back to the workers. ‘For thirty, forty years, we had a factory sanatorium by the Black Sea,’ Lev said. ‘We sent thousands of workers and their families there every year for their summer holidays. Now, even if they could afford it, they couldn't go there. It's Ukrainian territory, it belongs to someone else. Some of my staff go to their allotments, but that's a matter of survival, not fun. This distillery is my life, Mrs. Liddell.’

‘You're a vor [the phrase *vor v zakone* has two distinct meanings in Russian: ‘legalised thief’ and ‘thief who is the law’, - Wikipedia]. You're a parliamentary deputy.’ ‘I'd give the latter up before this, any day of the week. I know every inch of this place. There are five thousand workers here, and I know most of them by name. I don't like employing outsiders; I want *my* people to work here. I want to keep the factory a family business. Administrative procedures are nowhere near as effective in controlling people as peer pressure from their families and friends. That's why I only take people by recommendation. I don't have any problems filling vacancies; they're snapped up in no time. I *reward* my people,

Mrs. Liddell. I keep them fed. Red October owns two farms outside Moscow, and we sell the fruits and vegetables at subsidised prices. I'm proud of the apartments, the school, the orphanage, the sports complex, the cultural palace. How can I let outsiders take a stake in my company? How can anyone know better than me how to run operations here? Who knows the suppliers, the customers, the officials as well as I do? I make all the decisions. If I have to sack people, Mrs. Liddell, I'll become a caricature of the evil capitalists they warned us about in school.'

'You must at least consider the possibility of redundancies. There are ways you can hoard labour while reducing wages – pay freezes, direct cuts, delays in payment, reduced working hours, temporary layoffs with minimum pay, unpaid leaves of absence. In economic terms . . .'

'That's all you Westerners think about, isn't it? Economic terms.'

...

'Well, this is Russia, and economics aren't enough. Have you been listening to me? I can't dismiss a man in his fifties or a woman with two children. I don't throw people out in the cold when they become old or tired. The workers wouldn't stand for redundancies, and I've neither the authority nor the power to implement such changes against their will.'

'Oh, come on. You said it yourself: nothing gets done in this place without your say-so.'

'Only as long as my say-so doesn't contradict the wishes of the majority. The manager is expected to be authoritarian, assertive, even inspirational – but he's also expected to understand and work with grass-roots feeling. An enterprise is a democratic institution. Everyone's entitled to have his or her voice heard, and even the humblest employees feel free to speak to the boss. If the manager stands up for his workers' interests, and he exercises his authority with firmness and frankness, then he can count on the loyalty of his

workforce.'

'The more democratic he is, the more dictatorial they let him be?' He smiled. 'I couldn't have put it better myself.'" (pp.134-135).

At this stage Linnell sees Lev in a somewhat different light:

"She saw that this was his own benevolent dictatorship, strong but fair, a place that worked despite itself. Red October was a microcosm of Russia, in every way: and it would change just as the country was changing. Alice was sure of that. She wondered how much he was telling her about himself when he talked about Russia.

"Alice left Lev with a final offer that he said he'd consider. Insider control – management and workers combined – would be set at fifty-one per cent at a multiple of the defined enterprise value; twenty-nine per cent would be offered to outside investors; and the remaining twenty per cent would remain with the state." (p.136).

This then was the way in which the novel described the arrangements by which the supposedly first enterprise in Russia was privatised. However, as the character, Prime Minister Arkin, told Alice Linnell in the novel, it wasn't the terms that emerged from this particular negotiation that was important - what was important was that the model for privatisation had been established. After that principle had been established future privatisations would evolve according to different circumstances which would increasingly be moulded by the market in ways that were supposed to serve the better interests of Russian and foreign investors.

After her meeting with Lev had finished Alice Linnell walked the streets of Moscow in order to clear her head. After coming across a long stretch of pavement sales that represented the last resort of an impoverished people seeking to utilise the market in order to scratch out a living she concluded that:

"She was witnessing the beginning of capitalism in Russia. . . Perhaps it took a

rare, imaginative gift to see the shivering huddled masses as harbingers of the entrepreneurial spirit. No, it wasn't aesthetic; nor was it seemly or civilised. But newborn infants aren't beauties when they first appear; only the parents can see what a gorgeous person will, in time, grow of that crumpled red creature. It was shabby and messy and amateur, but it was *there*. . . .

"She knew that market economies always start from trade. When supply is limited and demand great, entrepreneurs concentrate on selling goods with high mark-ups - clothes, perfumes, electronics, liquor - and they do so in big, rich cities. Only when the market is reasonably saturated do they move upstream, from small-scale consumer production to heavier industrial manufacturing. That the traders were here at all confirmed Alice's view that men and women are natural, instinctive capitalists, and that - regardless of what Lev had said back at the distillery - Russians are no different from anybody else. The planned economy may have held back their inherent entrepreneurial ability, but it hadn't managed to quench their innate human desire and drive to take risks, accumulate capital and better themselves. These people would be the driving force for change in Russia." (pp.138-139).

But of course in the real world everyone cannot be capitalist, everyone is not in the position to accumulate capital to invest. So it was with the workers and consumers who were to receive the "seed capital" of the shares and vouchers they received as part of the privatisation process. The pressures of the rising cost of living introduced by the market themselves acted to prevent them being retained for long before they were compelled to sell them to those with the wealth to purchase them whether that be a local oligarch or a corporation.

The attempt to create a Russian "People's Capitalism"

In the novel, Prime Minister Arkin

held a press conference on 3 February 1992. At the press conference he set the date of the auction of the Red October distillery which was to be four weeks from then. He also used the press conference to introduce a scheme through which the Russian population was to be introduced to capitalism in a personal context. This involved:

“The voucher system under which all privatisations would take place. Every one of Russia’s 150 million citizens was entitled to a free voucher, nominal value ten thousand roubles, which they could either invest directly in a privatised enterprise, put in a voucher investment fund, or sell for cash. (p.230).

However, back in the real world of Russia in 1992 this proved to be a scheme by which the state assets of Russia were handed over to those with the wealth while concealing this from the public. By handing over vouchers that were transferable in this way those designing the scheme knew full well that in the majority of cases, people who are hard pressed would sell them at the first opportunity to those with the wealth who were willing to buy. As the novel itself says, “price liberalisation had wiped out everyone’s savings, so the only people who could lay their hands on vast amounts of cash were foreigners and mafiyosa, and even Arkin couldn’t think of a way to sell either possibility to the Russian people.” (p.231).

There is little doubt that the author of *Vodka* had a very good knowledge and accurate insight into what happened in Moscow during the fateful days of Russia’s transference from a command economy to one that was formed around the market. His account of the disaster of the voucher system, introduced by Yeltsin as a means of investing the people in the new capitalism, is confirmed by the British diplomat, Ian Proud. He had worked for the British diplomatic service between 1999 and 2023 and was stationed in Moscow from 2014 to 2019 as the senior advisor to the British Government on sanctions against Russia. During that time his position enabled him to gain a knowledge of the events that had taken place some years earlier in the period when *Vodka* is set. In his memoir of his time in Moscow (which I reviewed

in the May issue of *Labour Affairs*), he explains the fate of the voucher system:

“After the Soviet Union collapsed, there were no rules or legal framework to manage the bone-crunching transition from communism to a mixed-market economy. Lawlessness ruled across the Russian Federation, and commercial disputes were more often settled by shoot-out than by subpoena. Within this deadly legal vacuum, some smart-minded Russians conjured up schemes to get rich quick: they monetised the Soviet system of credits to grab hundreds of millions of dollars out of thin air, bought up privatisation vouchers from clueless citizens and conned those citizens with pyramid schemes that always collapsed. Vast profits were used to buy ever-larger stakes in Russia’s lucrative oil, gas and mineral companies. Surfing this raging torrent of venality were the new oligarchs, who became multi-millionaires almost overnight. After Russia’s default in 1998, the oligarchs emerged triumphant as billionaires at the summit of Russia’s industrial complex, lifted up by shady loans-for-shares deal with the ailing Yeltsin.” (*A Misfit in Moscow: How British Diplomacy in Russia Failed 2014-2019*, by Ian Proud, 2023, p.60).

The novel itself describes this reality on pages 263 to 264. Russia had to endure a further almost eight years under the Presidency of Boris Yeltsin as he increasingly ignored legal procedures, popular demonstrations and political opposition in his determination to remove layer after layer of the state economy and transfer it to private hands. In 1995, with the economy in dire straits and weighed down by unprecedented levels of foreign debt, in a bid to induce the support of the rich Russian elite in preparation for the 1996 presidential elections he instituted a new swathe of privatisations. This involved the sale of stocks and shares in some of Russia’s most valuable state assets in exchange for bank loans. This scheme proved to be a repeat of the earlier privatisations and in effect turned into a bargain basement sale of those assets to tycoons in the

finance, energy, telecommunications and media sectors. In the meantime, the population of Russia was forced to suffer from changes in the pension, tax, health and housing sectors that undermined the economic security they had enjoyed under the Soviet system. This led to increases in suicides, mental illness, alcoholism and lower levels of life expectancy. It wasn’t until Vladimir Putin became President in 2000 that things slowly began to improve and it is for that reason that he remains the most popular politician in the country.

From the details provided in the novel it is obvious that the author of *Vodka* researched his subject well. In an interview in the *Guardian* in the wake of its publication he says that he read hundreds of books on the subject as well as spending some time in Moscow doing further research. In another place he explains that he was further helped by members of the staff of the Swedish Embassy. Before taking up journalism - during which time he worked for several national newspapers - Boris Starling had been employed by a company named Control Risks which specialised in the provision of information and analysis for companies at risk from terrorism and political upheaval. But there remains the suspicion that he may have had other connections that enabled him to gain such an intimate knowledge of what happened in Moscow between December 1991 and March 1992.

With regards the novel. I felt that there were too many characters vying for the attention of the reader particularly around the central theme of child murders and as a result, maintaining the links between them could be challenging. That challenge was further complicated by the author’s attempt to thread their personalities and their actions within the wider events of the time they were living through. However, given his insights into those times the book is well worth reading for that alone. But then again, as someone who is more interested in politics than crime, I realise that the two are not always mutually exclusive.

Targeting Russia's "Shadow Fleet"

Why the targeting of Russia's so-called "Shadow Fleet" represents a most dangerous escalation of NATO's proxy war on Russia.

By Eamon Dyas

There are many ways in which a country's sea-borne trade can be curtailed by an enemy. The most obvious one is the use of a close naval blockade which restricts all shipping to the enemy's ports. There is also the option of a distant blockade - the interception of an enemy's maritime shipping on the high seas that is designed to systematically confiscate the merchant ships and cargoes of an enemy and in the process choke off its capacity to trade with the wider world.

In the context of the Russo-Ukraine conflict, when it comes to its relationship with Russia the west, in the form of the EU, UK and NATO, has chosen not to do this openly as to do so in that way would be tantamount to an act of war. Instead, the west has chosen a different way to impose a blockade and that is through the use of sanctions. Those sanctions which began in 2014 and have consequently escalated through 17 levels of EU targeting of individuals, prohibiting the exportation of machinery and equipment to Russia, curtailing the export of Russian gas and oil and the removing of financial facilities. Through these means the west has attempted to choke off Russia's capacity to trade with the world.

However, these sanctions have only had a limited impact and, arguably have hurt the west as much as they have Russia. In most instances, because the west is not the entire world, Russia has been able to circumvent these sanctions. This has led to the west using the sanctions in a way which will ultimately present Russia with a choice of directly confronting the means by which the sanctions are being implemented rather than circumventing them. Central to this is the way in which the west has expanded the use of financial tools to coerce Russia.

When it comes to any trading nation one of the areas most vulnerable to financial sanctions is that of marine insurance. We see the early emergence of an awareness of this

at the start of the First World War. Sweden was one of the Scandinavian neutral countries during that war and it possessed the third largest marine fleet in the world at the time. At the start of the war the Swedish state sought to protect itself from the fact that one of the belligerents in the First World War, Britain, was the pre-eminent global supplier of marine insurance. The Swedish state was therefore forced to adopt measures which anticipated the withdrawal of insurance cover from its fleet should Britain seek to exploit its position in order to influence Sweden's behaviour as a neutral which traded with Germany.

"At the outbreak of war Sweden possessed an extensive merchant marine. During the last decades of the nineteenth century, Swedish shipping in the North Sea and the Baltic had made great progress, and regular lines to Great Britain, France, and Germany had been established. The decade immediately preceding the War marked the rise in Swedish transoceanic shipping. Besides, a considerable number of tramp lines had been set going between Sweden and the Mediterranean, America, South Africa, the Far East, and Australia. Exchange of goods could, consequently, be made to a considerable extent in Swedish vessels, which became of so much more importance during the War, as foreign tonnage in an ever increasing degree ceased to call at the ports of Sweden. And the thing that made decisively for a renewal of economic life, after the first stupefaction following upon the outbreak of war was that shipping connections, the arteries for the flow of goods into and out of the country, were again made to function. This could not be done, however, without an organisation of marine insurance, and here the assistance of the State was necessary. In fact, the State took it upon itself to ensure against war, under certain conditions; a Royal Decree was issued on August 17, 1914, and on the same day the

State War Insurance Commission was established. Thanks to this intervention of the State and the efforts of Swedish shipowners themselves, life and movement soon was revived in Swedish ports. Shipping was already moving and most actively, in the beginning of September; and it was shaping itself after the conditions created by the War." (Sweden, Norway, Denmark and Iceland in the World War. Section on Sweden by Eli F. Heckscher. Published by Yale University Press and Humphrey Milford: Oxford University Press for the Carnegie Endowment for International Peace, Division of Economics and History, 1930, p.54).

The author of the above quote, Eli Filip Heckscher, was professor of Political Economy at the Stockholm School of Economics at the time of the First World War. His experience during the war contributed to his conversion from being an exponent of the state's involvement in the economy to one who championed economic liberalism and opposed state intervention. It also led to the economic theory for which he became famous, the Heckscher-Ohlin theorem, a model of international trade that predicts that capital-abundant countries export capital-intensive goods, while labour-abundant countries export labour-intensive goods. A corollary extension of which is that capital-abundant countries are those which are best positioned to utilise the tool of financial sanctions in circumstances of conflict with countries whose economies rely more on trade.

In the end despite Sweden's efforts to protect its neutrality, after the United States entered the war it combined with Britain to coerce the country into curtailing its trade with Germany. But it did reveal an early example of how a trading nation anticipated and took action against the possibility of being targeted by a country which was capital abundant to the extent that it had a virtual

monopoly on marine insurance.

The west's use of financial sanctions against Russia

The west has been targeting Russian banks and financial institutions with sanctions since 2014 and these have intensified with every sanctions package since then. From very early on the sanctions were also increasingly targeting the capacity of Russia to supply its gas and oil to its markets.

On 24 February 2022 the US sanctioned Sovcomflot, Russia's largest shipping company and one of the world's largest ship transporter of hydrocarbons. On 15 March the EU imposed its own sanctions on the company and on 24 March the UK followed suit. These sanctions made it difficult for Sovcomflot to obtain insurance for its cargoes and vessels. At the time the company owned a fleet of 122 vessels which included 50 crude oil tankers, 34 oil products tankers, 14 shuttle tankers and 10 natural gas carriers as well as 10 icebreakers.

In 2022 the EU's Sixth Sanctions Package (agreed on 31 May and introduced on 3 June 2022) included a partial ban on the importation of seaborne crude oil and petroleum products from Russia into the EU. At the time Europe was Russia's largest oil customer and purchased almost half of the 4.7 million barrels produced by Russia each day. The 2022 measures were expected to cut around 90% of oil imports from Russia to the EU by the end of 2022. With oil exports constituting around 40% of Russia's federal budget these measures were expected to inflict significant damage on the Russian economy and weaken it in its conflict with Ukraine.

However, because there is a wider world beyond Europe it was known that Russia could still access the energy markets of that wider world. As one business law consultancy firm noted:

"The concern with introducing an EU oil embargo in isolation was that Russia would simply look to divert its supplies elsewhere, principally to China and India, who have both increased oil purchases from Russia within the last few months and are importing

record levels of crude." (Impact of UK and EU and UK ban on Russian oil and insurance, Reed Smith Client Alerts, 1 June 2022).

For that reason, together with the oil embargo,

"The EU also intends to impose a ban on EU insurers providing coverage for vessels carrying oil shipments from Russia. By all accounts (and according to reports), the insurance ban has been coordinated by the UK government and will result in Russia also being shut out of the crucial Lloyd's of London insurance market, which will significantly impact Russia's ability to export its oil." (Ibid.)

And this combined EU and UK measure

"means that Russia's ability to export oil anywhere in the world will be heavily disrupted. Shipowners will now struggle to find alternative cover as P&I Clubs cover around 90% of the world's fleet." (Ibid.)

On the other hand, it was accepted that

"Sovereign guarantees" [similar to the one introduced by Sweden during the First World War - ED] could be an option as could using smaller insurance markets with less established brokers, but there is still the question of whether ports would accept vessels with cover from anywhere outside of the International Group of P&I Clubs." (Ibid.)

These measures, alongside the removal of Russian banks, (Sberbank, Credit Bank of Moscow and the Russian Agricultural Bank, etc.) from the SWIFT system, were adopted by the EU on 3 June 2022.

Although dismissed in western media reports of the surrounding events, the questions of payment and insurance cover were important element in the negotiations in what became known as the "grain deal" which Russia signed with Turkey and the UN on 22 July 2022. This deal was signed in the midst of a concerted western media campaign which pointed the finger at Russia's blockade of Odessa and the prevention of Ukraine's grain exports as the cause for the rise in grain prices which was adversely impacting the poor in Africa. In this

way the plight of the poor of Africa was heavily portrayed as the victim of Russia's aggression in Ukraine.

Maritime insurance and the "grain deal"

This deal highlighted in practical terms the obstacles that the US, EU and UK had imposed on the capacity of Russia to ship its produce (aside from oil, grain and fertiliser) to its markets. The deal made between Russia, Turkey and the UN involved a guarantee of the safe navigation for the export of Ukrainian grain and related foodstuffs through the Black Sea and a concurrent agreement to guarantee the unimpeded exports of Russian food, fertiliser and raw materials through the Black Sea. The main impediment for these Russian exports at this time were the knock-on effect of the removal of Russian banks from the SWIFT international payment system and the reluctance on the part of the west of recognising insurance cover supplied from Russian sources in response to the refusal of western insurers to do so.

Under the agreement the impediment relating to the lack of access to SWIFT was to be overcome through an arrangement by which the payment for Russian exports of food, fertilisers and raw material was facilitated via payments made through the intermediary of J. P. Morgan using the SWIFT system. The problems associated with the issue of marine insurance was initially overcome by a recognition by Turkey, India (the Indian Registry of Shipping had announced on 23 June 2022 that it would issue safety certification for several dozen Russian-managed ships) and China of marine insurance supplied to Russian ships from Russian sources. At the time everyone knew that these were temporary measures but with the possibility of them being extended for as long as the agreement lasted.

The grain agreement was originally meant to last for four months and due to expire on 19 November 2022. Before the expiry date, on 17 November, the Turkish president Erdoğan announced that Russia had agreed for the deal to be extended for a further 120 days with a new expiry date of 18 March 2023. Shortly after this extension came into effect

on 19 November, the Russian Deputy Transport Minister, Alexander Poshivay reminded reporters of the core issues that remained beyond the agreement and for which a remedy would need to be found if the agreement was to continue:

“The issue [of recognising Russian insurance] will have to be worked out with the entire world”, he said.

“He said that at present, ships sailing under the Russian flag and denied insurance by Western companies were being insured by Russian insurance companies and reinsured by Russian National Reinsurance Company (RNRC). The insurance coverage of Russian insurance companies includes all maritime transport risks in accordance with international requirements, and ‘Russian insurance has already been in use for many months.’

“RNRC has ‘increased its charter capital to 750 billion rubles, but now it is actually practically unlimited. The Central Bank is a guarantor for RNRC, that is, guarantees [for reinsurance] can be applicable to any volume of Russian oil and oil products. Practice is needed for success,’ Poshivay said. RNRC is a Central Bank subsidiary.” (Turkey recognises Russian insurance for shipping by vessels, India also for the most part, Interfax, 29 November 2022).

He went on to say:

“With the imposition of sanctions, insurance services in West Germany are no longer available to Russian maritime carriers. According to established practice, those services were provided by European and American companies. In addition, difficulties have arisen due to a significant increase in the cost of sea transportation, the non-recognition of insurance certificates issued by Russian insurers and the RNRC after Lloyd’s syndicates declared Russian waters to be a zone of war-related peril.” (Ibid.)

These issues were of course omitted from the western media’s reporting at the time. But they became critical to the continuation of the grain deal beyond its extended 18 March 2023 deadline. As the new expiry date loomed Russia said it was prepared to continue the arrangements that guaranteed a continuation of the Ukrainian exports but needed a guarantee that its own agricultural exports would continue to enjoy the protection of the payment arrangements underwritten by JP Morgan using the SWIFT system that had previously been in place.

But the US was increasingly concerned that the indefinite continuation of the arrangements with J. P. Morgan would soften the impact of its wider denial of Russian access to the SWIFT system. Consequently, as the March deadline approached the US showed no real willingness to continue the arrangements which had made the two previous agreements possible. In fact, the US, by denying that Russian agricultural exports were being hindered by its exclusion from the SWIFT arrangements was implying that Russia was merely using this as an excuse for abandoning the agreement with no good reason. But that assertion ceased to retain any credibility when J. P. Morgan, which had been arranging the payments to the Russian agricultural bank through the SWIFT system, stated that the US State Department would have to act on this issue if it were to continue to function. Needless to say the US State Department took no further action to ensure its continuance.

With regard to the question of the recognition of Russian-sourced maritime insurance for the ships involved the EU was to do its part in ensuring that the grain deal would go no further than the March 2023 deadline. In February 2023, on the first anniversary of Russia’s Special Military Operation and a mere month before the expiration of the latest extension to the grain deal the EU in its 10th package of sanctions targeted the Russian National Reinsurance Company (RNRC). In this single act the EU guaranteed that Russia would be in no position to extend the grain deal beyond 18 March.

On addressing the inclusion of RNRC in its 10th package of sanctions the EU explained:

“This reinsurance service offered by the RNRC has enabled the Russian Government to deflect and mitigate the impact of western sanctions on its oil trade - which provides a substantial source of revenue to the government of the Russian Federation.

“The Bank of Russia has increased the authorised capital of its subsidiary RNRC from 71 billion rubles (\$934 million) to 300 billion rubles since Russia’s incursion into Ukraine. Various other sources, including those citing Russian government officials, confirm that RNRC has reinsured oil cargoes flying the Russian flag that have been denied insurance by western businesses.

“Therefore, the Russian National Reinsurance Company is an entity supporting materially and financially, and benefitting from the government

of the Russian Federation, which is responsible for the annexation of Crimea and the destabilisation of Ukraine. Moreover, the Russian National Reinsurance Company is an entity involved in the economic sectors providing a substantial source of revenue to the government of the Russian Federation, which is responsible for the annexation of Crimea and the destabilisation of Ukraine.” (Lloyd’s List, 24 February 2023).

Attempts to re-establish the grain deal arrangements were made throughout the summer with Russia signalling that the deal could be restarted if its disagreements could be resolved but all these proved futile.

But it wasn’t only the financial mechanism by which Russia’s sea trade was being hampered. The EU’s 10th sanctions package also attacked the logistics by which its shipping was managed. Also sanctioned in that package was Sun Ship Management Ltd. This was a ship leasing and management company that was formed in Dubai in 2012 and owned by UAE and Russian nationals and managed by multinationals. The EU claimed that the company was part of the Russian company PAO Sovcomflot which had been sanctioned the previous year.

The United Kingdom followed suit when it also sanctioned the Dubai company. In justifying its action the UK alleged that in April 2022 shortly after the start of the Russo-Ukrainian conflict and the imposition of western sanctions, Sovcomflot had transferred control of about 90 of its tankers and LGN carriers to Sun Ship Management. Sovcomflot denied that there was any such connection between the two companies and that Sun Ship Management was an independent company whose services and resources Sovcomflot purchased when necessary. In that context it should be added that it was not unusual for a large shipping company to use a shipping broker like Sun Ship Management to “rent out” its ships in just the same way that an estate agent is used to rent out a landlord’s properties. In the course of its active life a shipping vessel may have been leased and sub-leased several times through the use of a shipping broker.

However, the UK was not prepared to accept any such business arrangement as legitimate when the Russian ship owner Sovcomflot was involved. The UK insisted that the company was involved in transporting Russian oil in breach of the sanctions. This in turn was denied by Sovcomflot when it issued a statement that “the activity of Sun Ship

Management (D) Ltd is completely legitimate because no vessels are carrying their cargoes into the EU unless expressly permitted by EU respective regulations.”

This last reference was to the fact that Europe, to some extent, continued to be reliant on Russian oil and was compelled to permit some instances where the oil was carried in Russian vessels – at least in 2023.

The EU’s 10th sanctions package also included the sanctioning of a company called Atomflot. This was a Russian company that maintained Russia’s icebreaker fleet which is critical to the transport of oil along Russia’s Northern Sea Route. The company appears to have been a last-minute inclusion in the sanctions package and came a week after Putin gave a speech to the Russian Federal Assembly in which he announced:

“Our plans include the accelerated modernisation of the eastward railways, the Transit and the BAM, and building up the capacity of the Northern Sea Route. This means not only additional cargo traffic, but also a basis for addressing national tasks on the development of Siberia, the Arctic and the Far East.”

As a Lloyd’s List report stated:

“With oil and gas exports shifting from Europe to Asia as a result of Russia’s military action against Ukraine and subsequent western sanctions, Russia’s icebreaking fleet is key to the country’s Arctic hydrocarbon strategy.

“In order to escort oil and gas tankers on the much longer and more challenging voyage from the Yamal and Gydan peninsulas to Asia, rather than the much shorter and less icebound routes to Europe, Russia relies on Atomflot’s fleet of nuclear icebreakers.” (EU sanctions Russian tankers, re-insurance and ice breakers, by Richard Meade, Lloyd’s List, 24 February 2023).

Undoubtedly this will have implications for the expansion of the ongoing proxy war between the west and Russia as it has implications for Russia’s interests in the Arctic. With Russia about to make increased use of the Arctic route for its LNG exports using four ice class category Arc4 vessels (built in 2023 and 2024 after Putin made the above speech) and the EU having sanctioned them in December 2024 as part of the ‘shadow fleet’ the prospect of the Arctic becoming another area of potential conflict has only increased. (Sanctioned ‘shadow fleet’ gas carriers prepare for shipments on Arctic route, by Atle Staalesen, Barents

Observer, 28 May 2025).

The Price Cap

By 2023 the US, EU and UK had constructed the means by which the cost of moving Russian oil was artificially inflated to the point where that cost would make it impossible for Russian oil producers to make a profit. This was being done by the denial of Russian shipping to western insurance systems, the sanctioning of ships carrying the oil, the sanctioning of shipping logistics companies that managed the shipping arrangements, and the denial of access to the SWIFT system by Russian banks therefore making it difficult for payment to be made to the oil companies in dollars. But there was also the practice of interfering directly with the natural operation of the oil market through the imposition of a price cap on the sale of Russian oil.

This policy was decided at the meeting of the Finance Ministers of the G7 group on 2 September 2022. The cap was set at \$60 a barrel on 3 December 2022 and came into effect on 5 December. On 4 November 2022, before the policy was finalised the UK Treasury confirmed what this would mean in practice.

“By December 5, tanker owners that fly any European Union flag or carry P&I insurance from an EU or UK club can no longer have crude oil onboard that originated in Russia, unless Russia has sold the crude to the buyer at or under a price cap pushed for by G7 members. The US is expected to join the insurance ban shortly meaning more than 90% of the world’s insurers will shun Russian-linked crude tanker business from next month.” (UK confirms it will not insure ships carrying Russian oil, by Sam Chambers, Splash247.com, 4 November 2022).

This represented a new departure as the threat of sanctioning was no longer restricted to Russian ships but to any ship which was deemed to be transporting Russian oil above the price cap even if those ships were sailing under an EU flag or operating under what would otherwise have been accepted as legitimate western insurance certification. By using a price cap in this way to define what the west decided was a legitimately trading commodity it was in effect establishing a virtual rather than a physical blockade on Russian oil. The ostensible purpose behind this was to restrict the flow of money to the Russian treasury by ensuring that the price that its oil could fetch was kept at a level that either meant a loss or at least a significant diminution of the profit margin.

Because there was no previous example of a price cap being used in this way it generated much controversy and was subject to early scrutiny. One of the earlier assessments of its impact was in a report by Benjamin H. Harris in a specialist publication named *Russia Matters*. Harris was a member of the Brookings Institute and had been chief economic advisor to Joe Biden when he was vice-president. In that report Harris quoted the Centre for Research on Energy and Clean Air’s *Russia Fossil Tracker* which stated that:

“the volume of crude exports has been stable overall, experiencing only minor shifts following a modest dip in March and April 2022. For example, in the month prior to the invasion, Russia exported an average of around 700 million metric tons of crude daily, falling to approximately 560 million metric tons in the first half of April 2022, as global trade routes were reshuffling, before climbing to an average of about 740 million metric tons from May 2022 through today [September 2023 – ED]. Exports of oil products have been similarly stable, generally within 150 million to 250 million metric tons per day from May 2022 through the current period.” (The Origins and Efficacy of the Price Cap on Russian Oil, by Benjamin H. Harris, *Russia Matters*, 14 September 2023).

In other words, in the first nine months of its operation the price cap had little effect on the volume of Russian oil that continued to be shipped. Harris himself observes that the price cap produced another outcome:

“A second outcome is the dramatic change in the composition of importers of Russia oil, with a marked elongation in the distance travelled to reach new export destinations. The shift is nothing short of remarkable. Prior to the invasion, the bulk of Russian fossil fuel exports – roughly 55% - was exported to the EU, with China comprising another 18% or so and India taking only 1-2% of these products. By January 2023, these trade relationships had shifted considerably. The share of Russian fossil fuel exports going to the EU fell to just 20%, and that share would be halved to about 10% by summer 2023. China, India and Turkey would instead assume these barrels, with these three nations now importing about two-thirds of Russian fossil fuel exports.” (Ibid.)

But Harris points out that

“An important consequence of these new trade patterns is dramatically

higher shipping and insurance costs. The precise increase in these costs is not well-documented but is likely due to a combination of factors. Perhaps the most obvious is the higher cost associated with longer trade routes; a voyage to Indian and Chinese ports takes about 16 to 18 days – compared to prior voyages of four to six days to European ports. Another factor for the higher costs is a ‘sanctions premium’ that drives up the per-mile cost of shipping and insuring Russian-origin oil above-and-beyond the price charged to other exporters. According to one report, the combined impact of these factors meant that an excess of one-third of a Russian oil shipment’s value was captured by these higher costs.” (Ibid.)

What Harris is pointing to here is the impact of the combined strategy of banning Russian oil from European markets, sanctioning Russian shipping, denying it access to the main marine insurance markets, banning Russian banks from access to SWIFT, and imposing a price cap on the price of Russian oil on the global markets.

The result of all of this was that, despite Russia being able to sustain the volume of oil exports, the revenue accrued from the sale of that sustained volume has been diminished. In fact, one of the arguments that was used in favour of the price cap was that even if Russian oil managed to circumvent western checks to reach alternative markets the fact of the price cap would itself influence the available market by setting a level around which discounts would be negotiated. However, those negotiations would also take place in the context of the real market price for oil and in circumstances where the price charged from other oil suppliers was higher than the G7 price cap then the likely return for Russian oil would also be higher than the \$60 a barrel - how much more would depend on how much the real market price exceeded the price cap. The same would apply if the real market price of oil was low, only in those circumstances the pressure would be to produce a lower income than the \$60 price cap.

In fact this is what appears to have happened in the initial period of the operation of the price cap. In other words “the decline in the global price of oil, led the U.S. Treasury Department to cite reports from the Russian Finance Ministry that its oil revenue had fallen by over 40% in the first quarter of 2023 relative to one year earlier.” (Ibid). Since then the price of oil has increased with a commensurate improvement in Russia’s

income from oil exports.

This and other countermeasures introduced by Russia has largely muted the initial impact of the price cap. As early as September 2023 Harris identified one of these countermeasures:

“Russia’s countermeasures, which include expanding the fleet of ships available to transport oil around the price cap, will require close monitoring and strict enforcement to maintain this level of depressed revenue moving forward.” (Ibid.)

Since then there had been growing voices demanding that the price cap be lowered and a more assertive policy adopted by the west towards the “Shadow Fleet” which was seen as the main reason why the price cap has not worked as hoped.

The initiative for this appears to have come from the Nordic and Baltic countries at the start of the year. A letter sent jointly by the Foreign Ministers of Denmark, Estonia, Finland, Latvia, Lithuania and Sweden to the European Commission’s High Representative on Foreign Affairs, Kaja Kallas, and the European Commissioner for Financial Services, Maria Luis Albuquerque, on 11 January 2025 called for a reduction in the price cap and a more vigorous policy towards the “shadow fleet”. (Nordics and Baltics ask EU to tighten price cap on Russian oil, Euronews, 13 January 2025). This has led to a more vigorous policy being adopted of late:

“Both the UK and EU vowed this month to further increase the pressure on the Russian oil sector in an effort to reduce revenues and support to the Russian economy. The EU noted it doubled the number of tankers it had sanctioned to over 300 vessels while the UK added another 100 to its listing. The UK said it was in discussion with Western allies about lowering the price cap the G7 imposed on the sale of Russian oil.” (Western Sanctions Take Big Bite Out of Sovcomflot’s Results, Maritime Executive, 23 May 2025).

However, all of this has established a momentum which will only increase the prospects for a direct confrontation between NATO and Russia in the Baltic Sea.

The push to confront the “Shadow Fleet” in the Baltic Sea

These developments in terms of the implementation of the price cap and the curtailment of Russia’s “shadow fleet” take place in the context of the inflated reporting of incidents in the Baltic Sea involving cable damage and alleged

nefarious activities on the part of Russian vessels.

In January 2025, around the time that the Foreign Ministers of the Nordic and Baltic members of NATO wrote to the European Commission asking for a lowering of the price cap on Russian oil and complaining about the continuing activities of the “shadow fleet” NATO announced that it was setting up a new organisation called the Baltic Sentry Mission. The justification for this was the several alleged but unproven claims that several cables under the Baltic Sea had been damaged or deliberately severed in 2024. This mission would involve the use of more patrol aircraft, warships and drones and as the BBC reported at the time: “While Russia was not directly singled out as a culprit in the cable damage, [NATO chief -ED] Rutte said NATO would step up its monitoring of Moscow’s “shadow fleet”. Rutte was further quoted as saying

“there was reason for grave concern” over infrastructure damage, adding that NATO would respond to future incidents robustly, with more boarding of suspect vessels and, if necessary their seizure.” (Sweden seizes ship after suspected Baltic Sea cable damage, BBC, 27 January 2025).

In the same report it was revealed that Sweden had seized a ship suspected of damaging a data cable running under the Baltic Sea to Latvia with the Swedish authorities claiming that its initial investigation pointed to sabotage against the ship, the *Vezen*, which was being held in a Swedish port. This incident, as was the case with others, received much publicity in the western media at the time. However, like the other incidents, it turned out that the *Vezen* – a cargo ship owned by a Bulgarian company – had not been guilty of sabotage and the cable had been damaged accidentally.

According to the trade journal *Oil Price*:

“Russia’s shadow fleet consists of approximately 500, mostly poorly insured and aging tankers that ship crude to countries such as India and China, in defiance of Western sanctions. These tankers, estimated to carry as much as 85% of Russia’s oil exports—which bring in a third of Russia’s export revenues—typically have opaque ownership structures and lack top-tier insurance or safety certification. Most belong to anonymous or newly formed shell companies based in jurisdictions such as Dubai, further complicating accountability.

“The majority of shadow tankers sail across the Baltic Sea, a route considered critical for Russia’s energy exports. The shadow fleet uses various tactics to avoid detection, including ship-to-ship transfers in international waters, spoofed location data, and fake ship identification numbers. Some estimates suggest that approximately three shadow tankers carrying Russian crude pass through European waters each day, including the Danish straits and the Channel. Some experts estimate the shadow fleet may now include as many as 700 tankers.” (Will Europe’s \$50 Russian Oil Price Cap Plans Thwart the ‘Shadow Fleet’?, by Alex Kimani, Oil Price, 20 May 2025).

With the various measures put in place to destroy the capacity of Russia to trade in oil it has been forced to adopt countermeasures that include what is described as a “shadow fleet”. Lloyd’s List describes the vessels that constitute this fleet as a ship that is over 15 years old and not insured by a western endorsed insurance company. This does not mean they are not seaworthy. There are many tankers that are more than 15 years old that are not considered to be candidates for the definition of “shadow” or “dark” because they hold western endorsed insurance certification. They are thus defined because they exist outside the western insurance umbrella. However, that in itself had not been an issue in the past when Russian insurance was accepted as legitimate. It is not so much the age of the vessels that is the issue but rather that they sail in defiance of the arbitrary prohibition of western powers – powers that have weaponised their financial tools to stop Russian trade.

With Russia being compelled to increase its fleet to convey oil to its far-flung markets (the 16 to 18 days it takes to deliver to China and India against six days to its old European markets means that it inevitably needs more ships) and with sanctions obstructing its ability to procure ships by conventional means, Russia has been forced to use this “shadow fleet” as an alternative means to transport its oil to its customers. The main transit route of this “shadow fleet” is the Baltic Sea.

The increased presence of NATO in the Baltic Sea and the pressure to curtail Russia’s “shadow fleet” is inevitably creating a situation where there is a real danger of a confrontation between NATO and Russia in the area.

Should NATO forces in the Baltic Sea decide to act as policemen for the implementation of the price cap then its brief will extend beyond the mere

monitoring of the “shadow fleet” in the context of possible cable damage such a situation could easily escalate to one where NATO is seen to be operating a physical blockade in fact if not in name and it would be foolish not to expect Russia to respond accordingly.

The pressure for NATO to adopt that role is compounded by the limitations within which the Baltic states view their capacity to intercept Russian vessels in the Baltic Sea:

“Lithuanian National Security Advisor Kęstutis Budrys has highlighted the ambiguity surrounding the law on interdiction in international waters, warning that trying to stop the shadow fleet could risk an all-out military confrontation with Russia. Last week, a Russian fighter jet briefly entered Estonia’s airspace, in what some experts suspect was a reprisal for the Estonian military escorting a tanker named *Jaguar* out of the country’s economic waters. The Estonian navy acted quickly, believing the ship posed a threat to nearby underwater cables, and checked its status and registration. The Russian jet entered Estonian airspace without permission.” (Kimani, op. cit.)

In fact Kęstutis Budrys, aside from his role as National Security Adviser is also Lithuanian Minister of Foreign Affairs. With Russia viewing its Baltic Sea route for its “shadow fleet” as critical to its ability to trade its oil with the outside world the behaviour of NATO and the Baltic states in the Baltic Sea could easily become a trigger for a wider confrontation.

In this context it is worth noting that Britain has been the main cheer-leader for stronger action against the “shadow fleet”. In a visit to Oslo on 9 May Starmer, in announcing the UK’s latest sanctions against Russia said:

“The threat from Russia to our national security cannot be underestimated, that is why we will do everything in our power to destroy his shadow fleet operation, starve his war machine of oil revenues and protect the subsea infrastructure that we rely on for our everyday lives.” (“We will do everything in our power to destroy Putin’s shadow fleet”, by Atle Staalesen, Barents Observer, 15 May 2025).

The UK measures included the sanctioning of 101 ships, mostly oil tankers which it defined as being part of the “shadow fleet”. At the same time the EU announced its 17th sanctions package and that included measures against 189 “shadow fleet” vessels with the ex-Prime Minister of Estonia and

now the EU’s representative for Foreign Affairs and Security, Kaja Kallas saying that the new package “will target more of Russia’s shadow fleet, which is illegally shipping oil for revenues to fund Putin’s aggression”.

Needless to say, the voices from Kiev are among those pushing for just such an outcome. The Sanctions Programme at the Kyiv School of Economics has been in the forefront in compiling lists of ships which it claims are part of Russia’s “shadow fleet” and demanding that the west takes action against them. Its head, Yuliia Pavytska, has also been pushing the EU for a lower price cap on Russian oil and the use of more vigorous methods to stop the “shadow fleet’s” ability to circumvent the imposition of the price cap.

We currently have a situation where hundreds of oil and gas transport ships used by Russia have been targeted by the UK, EU, and NATO. These ships, for the most part, use the Baltic Sea as their departure point and where there has been a recent build-up of NATO naval forces primed and willing to view any of them as potential saboteurs of undersea cables. We also have a situation where the Nordic and Baltic countries, pushing to assert their ongoing independence from a Russia that still exists in their historical imagination remain eager to prove their mettle against that ancient foe. If we throw the Kiev regime into the mix with its ongoing determination to widen the conflict as its only way to escape a defeat by Russia we have a highly dangerous combination of aggression, motivation, irrationality and fear and all of which is now concentrated in the Baltic Sea. In that situation it only takes a false flag operation or a simple provocation to force Russia to militarily confront the physical manifestation of the forces that currently operate a financial and virtual blockade against them.

NOTE: I have mostly made use of specialist trade and financial sources in this article. Such sources, reliant as they are on understanding the issues around which their businesses are built can usually be relied upon to provide a more detailed and accurate picture than that provided in the mainstream media.

Labour’s Policy on Apprenticeships: Smoke and Mirrors

By Dave Gardner

Labour is trumpeting its vocational education policy:

“More skilled brickies, carpenters and healthcare support workers will soon be trained up as we continue our drive to get Britain working, with landmark reforms announced today (27 May 2025) that refocus the skills landscape towards young, domestic talent.

The measures, backed by a record-breaking £3 billion apprenticeship budget, will open up opportunities for young people to succeed in careers the country vitally needs to prosper. More routes into skilled work means more people building affordable homes, more care for NHS patients and more digital experts to push our economy forward. This includes an additional 30,000 apprenticeship starts across this Parliament.” (Dfe May 27th 2025).

This looks good, but we need to look a little closer. See below for the figures for government spending on apprenticeships:

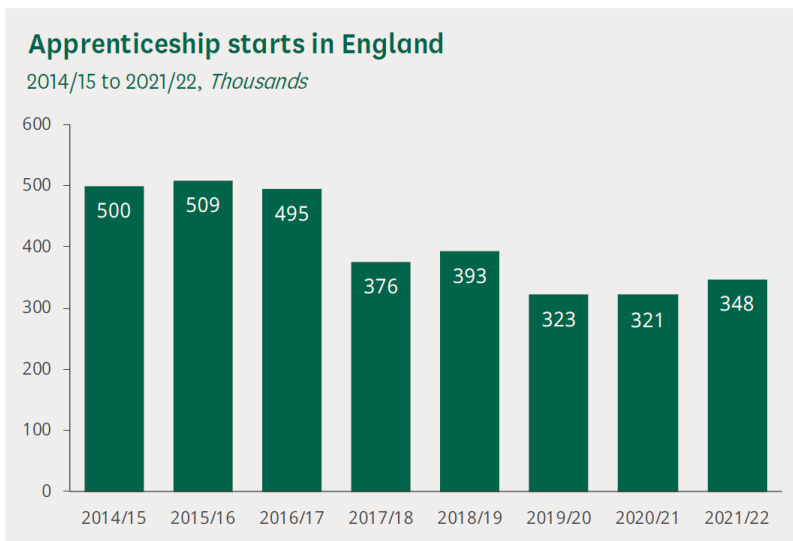
The £3billion that the DfE refer to is the figure in second row of the final column above £3.075 billion. The top row is levy income paid by employers. The second row is the government contribution. It can be seen in the bottom row final column overall expenditure on apprenticeship is up by 12.7%. £100 million comes from an automatic levy increase and the balance an increase in government

expenditure of £202 million. This is a far cry from the ‘record breaking £3 billion’ that the DfE is trumpeting.

First some background on apprenticeships. They are a comparatively small proportion of vocational education in England. The great bulk is taught through FE colleges which have not received a significant injection of new money and have only just recovered to the point that they were at when the Tories slashed the FE budget in 2011. Despite the levy, apprenticeship in England has been in decline since 2017. Here are some official figures

we can see that the steep decline has continued from 2021-2 when starts were 348,000.

However, there are further complications. The word ‘apprenticeship’ applies nowadays to retraining of existing employees as well as young people. Furthermore it is normally considered to be a level 3 programme rather than a level 2, which is more of a semi-skilled traineeship. The DfE tells us that under 19s account for 27.9% (56,470) of these 2025-2026 starts, while another 76, 970 were on degree level programmes at level 6 or 7. So the



Source: DfE Explore education statistics, [Apprenticeships and traineeships](#)

The DfE tells us that there were 202,520 last year, an increase of 1% on the previous year, so

number of youngsters who are not eligible for or who do not wish to go to university who enter apprenticeship is less than a third of the total of apprenticeship starts.

So what will the extra £202 million allocated by the government buy? The average per annum cost of a level 3 apprenticeship is £8655, the amount varying widely depending on the occupation, but the more technical subjects generally cost more. So we are possibly looking

Apprenticeship	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Levy Income (£m)	2,271	2,713	2,798	2,910	3,213	3,580	3,841	4,100	4,200*
DfE budget (£m)	2,010	2,231	2,469	2,467	2,466	2,554	2,585	2,729	3,075
Budget Increase (£m)		221	238	(2)	-1	88	31	144	346
Budget increase %		11%	10.7%	-0.1%	0%	3.6%	1.2%	5.6%	12.7%

*OBR forecast
Source: Treasury, HMRC, and OBR

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reality of Russian resilience. But that does not mean that he wishes Russia to win in Ukraine. From the position of U.S. interests it would be best if Russia was corralled in a situation in Ukraine of heightened expectation of a continued threat with minimal U.S. involvement. Hence the need for Europe to step up to the plate. This would then leave the U.S. to, as Rubio said at the Senate hearing, “concentrate its resources in the Indo-Pacific region” – i.e. China.

But by this stage we have a EU, devoid of any perspective that is anchored to anything like a sense of national interest. As a consequence it had fallen in behind the U.S. lead. It was ripe for adopting this slavish position because over the past two decades or so it has accelerated the alteration of its cultural outlook from one that viewed Soviet Russia as a saviour of Europe from Nazi Germany to one which defines Russia and Nazi Germany as co-instigators of the Second World War. This was done in order to accommodate the expansion of

the EU to the borders of Russia. That opened the door for the likes of the Baltic countries and Poland to ensure that their interpretation of the threat from Russia gained a high level of legitimacy within the EU.

That legitimacy, combined with the U.S.-supplied estimate of Russia’s inherent weakness, meant that when Russia attempted to warn Europe of the likely implications of what was happening in Ukraine, it was ignored. Since then the same shock generated by Russia’s resilience has been percolating through Europe. But, unlike the U.S., Europe has no sense of a national interest that can help to extricate it from the situation it now finds itself in. It remains in thrall to the Baltic view of Russia and cannot retreat from it without dismantling the “Russia-Nazi Germany responsibility for WW2” narrative that it has so carefully constructed over the years.

EU finance of the war effort against Russia

The EU has designed a loan scheme to help EU members to increase their defence spending.

The main thing to note is the way the EU Commission is becoming increasingly authoritarian. The Commission has taken the initiative on this by using “a legislative instrument that allows it to bypass a vote by European lawmakers.” In other words one of the checks and balances that are meant to constrain its tendency towards arbitrary behaviour.

The proposal has within it what at first sight appears to be a concession to national sovereignty - the National Escape Clause. But that’s simply a mechanism by which countries could free themselves from the EU fiscal rules when it comes to defence spending. This is important because if that freedom from EU fiscal rules didn’t exist countries wishing to expand their defence spending would have to make cutbacks in other areas of their budgets - in welfare or infrastructure spending for instance - and the National Escape Clause enables them to do so without impinging on such domestically politically sensitive areas.

The Euronews report states this as follows:

“Additionally, the fact that countries could decide to take up SAFE loans not to bolster their own stockpiles but to send more military support to Ukraine, could boost uptake in member states where increasing defence production and re-armament might be politically sensitive.”

In this instance we see something in operation which the EU has been increasingly relying on for the past two decades - to gain legitimacy for its policies through the use of money by circumventing and manipulating popular sentiment.”²

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at an extra 23,339 new apprentices every year, a significant increase which arrests a long term decline which would amount to nearly 93,356 over a four year period. The government’s own figures suggest an extra 30,000 starts across the remainder of this parliament. That looks like a paltry 30,000 divided by 5 giving just 6,000 new starts each year. The puzzling difference in numbers probably relates to the cost of the new apprenticeships which must be far higher than the average. This would make sense if they are in technical subjects, but they would also be expensive if they include degree apprenticeships as well. One further wrinkle in these numbers is that if under 19s are only 28% of these starts this number would further shrink to 1,680 per annum and over the life of the parliament an extra 360 apprenticeships for under 19 year olds over this period, many of which will be degree apprenticeships. If we are generous however and assume that there are 23,339 new apprenticeship starts each year, this would give us around 6,500 under 19 starts from which we would need to deduct an unknown quantity of degree level apprenticeships to arrive at a number for non-degree level apprenticeships. This looks better but is hardly a revolutionary change in policy and practice, rather a slowing down of a long-term decline.

Labour Affairs leaves the reader to ponder over the difference between hope and reality.

² <https://www.euronews.com/my-europe/2025/05/21/everything-you-need-to-know-about-safe-the-eus-150bn-defence-instrument>

Europe is standing in the way of peace in Ukraine

By Eamon Dyas

If Zelensky does go through the pretence of talks with Russia it won't be in good faith. There will be proposals - as there always have been from Kiev - that everyone knows will not be acceptable to Russia.

As far as I see it nobody, including Trump, Russia and the European war hawks believe that this is anything other than a pretence. But it's a pretence that nobody other than Trump has created. He has positioned himself as the man everyone wants to influence, the man on which the future of the conflict revolves and like a Roman emperor he will decide the fate of the contestants. But, Trump is not only behaving like a Roman emperor he is behaving like a Greek god!

For months now he has played with the hopes and expectations of those who wish to see a genuinely negotiated end to what he himself acknowledges as the "slaughter". During that time there have been several examples of Kiev's behaviour that would warrant him deciding that Kiev is the party that does not want peace. And yet he pauses and prevaricates by introducing ever more tests and deadlines for the contestants. This has allowed the U.K. and Europe to openly fashion the instruments by which they can ensure that the prospects of peace are diminished.

Europe has even ruled out the idea that its shipments of arms to Ukraine be suspended during a 30-day ceasefire and in so-doing confirms that the object of the ceasefire is to increase the stock of European arms in Ukraine.

This shows that it's not only Zelensky that doesn't want peace but Europe as well. And yet, despite all the evidence that Europe is intent on sabotaging his apparent efforts for peace Trump has continually failed to call them out on that basis. This accommodation of Europe's sabotage has served

no other purpose than to embolden them to develop more policies (they are now expressing an intention to have Russia tried for war crimes at the end of the war) that they know will only result in pushing the prospects of peace ever further away.

The result of this pausing and prevarication on the part of Trump is that there has emerged a kind of symbiotic relationship between the European war hawks and the Trump administration when it comes to Ukraine. One part of the relationship stimulated the other part into investing more in arms and in increasing its supplies to Ukraine and the other enables Trump to credibly conclude that when the Emperor's thumb points down it will be against the party that the watching multitude has been led to believe is the lesser kind.

Whether this has emerged by design, bad advice or miscalculation on the part of Trump is neither here nor there. But the only outcome from all of this is that it will be Russia that will be blamed for not wanting peace.

It's indicative of the actual (rather than the media's view) relationship between Europe and Trump that the Guardian report (reference below) indicates that should the meeting in Istanbul take place there will be European "handlers" available to ensure that the Ukrainian negotiators can overcome situations where otherwise they might find themselves making certain concessions. But again this blatant interference in what are supposed to be direct talks between Ukraine and Russia has not been met with even a mild rebuff from Trump.

Despite the frequent statements emanating from Europe that only Ukraine can decide the terms on which it would negotiate peace we long ago passed the point when it had become obvious that

Europe was in fact dictating terms to Ukraine. Trump's beef should therefore be with Europe and not Russia or even Ukraine. That he has not acted on that basis should be telling us something.

Guardian report:

"Setback for Europe after Trump insists Ukraine has 'immediate' peace talks with Russia"¹

All components of the U.S. governing structure agree that China is the main target of U.S. foreign policy. They also recognise the danger of a Russo-Chinese alliance. The components represented by the Obama/Biden administration believed that such an alliance could best be prevented by confronting and diminishing Russia first. At the time it was genuinely believed that this could easily be done as Russia was intrinsically weak - a gas station masquerading as a nation. Hence the emergence of a policy that sought to use Ukraine as the "felling wedge" to take the Russian tree down. The response from Russia came as a shock to the advocates of this policy.

That shock took time to percolate through the layers of anti-Russian propaganda that had been constructed on the back of the "Russia first" policy and, judging by the Senate hearing and the statements from the likes of Lindsey Graham, hasn't quite reached all areas but then again that's human nature. In the meantime the remnants of that thinking and Biden's mental weakness resulted in a stubborn adherence to that perspective by the U.S. well beyond the point when it should have been abandoned.

Trump's policy seems to be the manifestation of a clearer US perspective that has adopted to the

¹ <https://www.theguardian.com/world/2025/may/12/europe-donald-trump-ukraine-immediate-peace-talks-russia>

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