AozoraStep

Q1 2023:
Americans have lost their charm & why China could be the next Superpower

Quarterly Performance	Personal Account	FTSE All Share TR
Q1 17	0%	0%
Q2 17	-8%	1%
Q3 17	-5%	2%
Q4 17	-1%	5%
Q1 18	9%	-7%
Q2 18	19%	9%
Q3 18	-16%	-1%
Q4 18	-30%	-10%
Q1 19	45%	9%
Q2 19	39%	3%
Q3 19	0%	1%
Q4 19	8%	4%
Q1 20	-43%	-25%
Q2 20	42%	10%
Q3 20	-3%	-3%
Q4 20	76%	13%
Q1 21	32%	5%
Q2 21	-3%	6%
Q3 21	5%	2%
Q4 21	1%	4%
Q1 22	37%	1%
Q2 22	-3%	-6%
Q3 22	17%	-3%
Q4 22	20%	9%
Q1 23	0%	3%

Annual Performance	Personal Account	FTSE All Share TR
2017	-9%	9%
2018	-31%	-9%
2019	113%	19%
2020	52%	-10%
2021	37%	18%
2022	99%	0%
3M 2023	0%	3%

Overall Performance	Personal Account	FTSE All Share TR
CAGR	**29.6%**	**4.2%**
2017-Q1 23 Return	**407%**	**29%**

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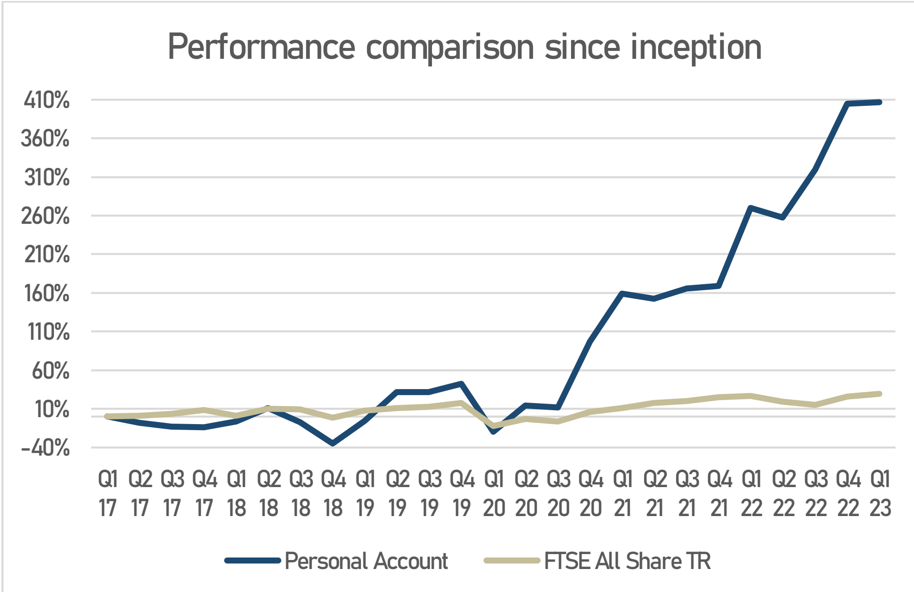

12th April 2023

Dear fellow investor,

While we have come used to rising geopolitical tensions, Japan's announcement to restrict chip exports after the US and the Netherlands have done so earlier leaves China's manufacturing hub of the world exposed. This quarterly report takes a closer look at the rising China and the complications it brings along. The Q1 performance was weak and in light of the many risk factors we are facing, I am targeting lower than usual returns this year. It is key to outperform when the market performs. Underperforming when the market moves higher can impact performance for the rest of the year negatively and this is reason for extra caution.

For the latest one pager, factsheet, presentation, and market views, please check:

One Pager

Factsheet

Presentation

Market views

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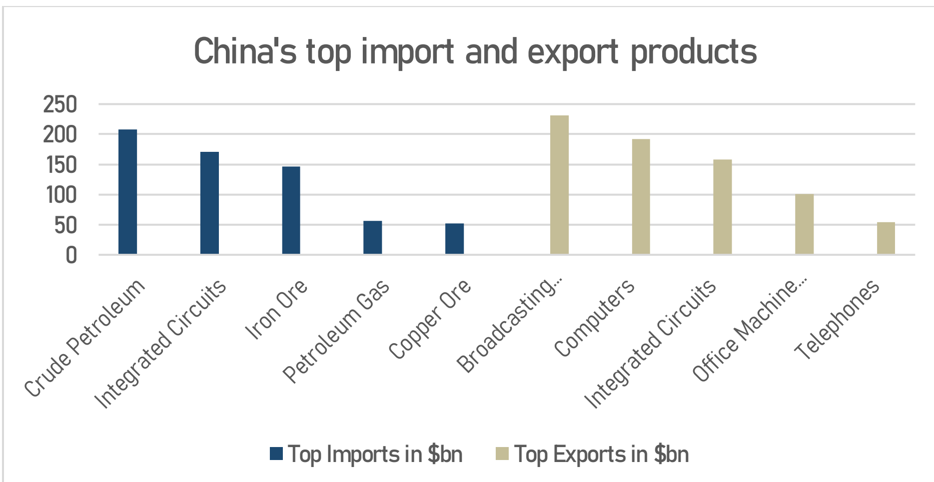
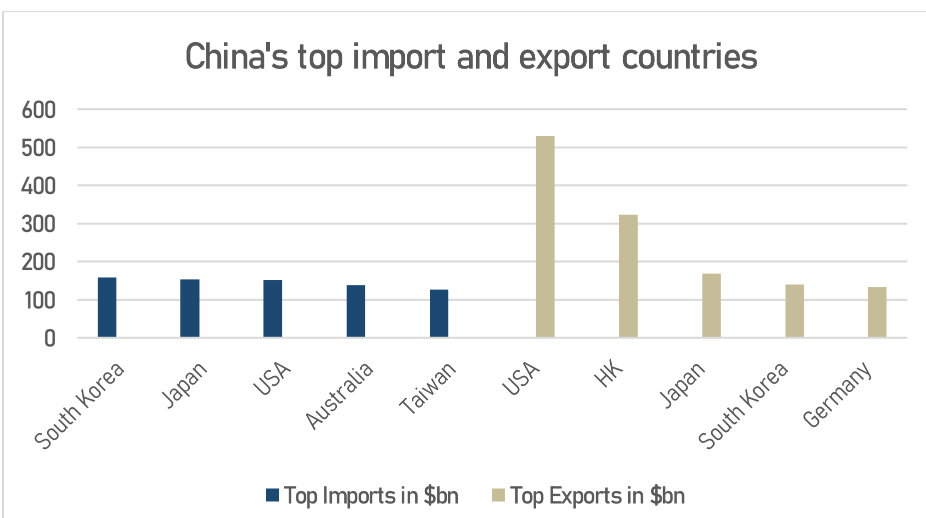
A brief note on China trade

China has managed to build up a trade balance that is entirely focused on exports, while domestic consumption is nearly self-sufficient apart from iron ore to make steel and the very important integrated circuits (and energy). In effect, China imports raw materials en masse, manufactures the products with relatively cheaper labour and energy, especially electronics and electrical machinery, such as TVs, mobile phones, computers, air conditioners and other machines and exports it to the West. However, while the West has no power over crude petroleum, iron ore, gas or copper, the West does have control over integrated circuits, i.e. high-tech chips. And this can put China's future export-oriented economy in jeopardy…



Source: OEC.world



Source: OEC.world

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First Huawei, now the advanced Chinese economy

When the US placed a ban on all semiconductor sales to Huawei and prohibit American companies from selling to Huawei, it had a direct impact on the company. Huawei went from being the number one smartphone vendor in the world to number six within half a year. Huawei was absolutely destroyed. With Japan now following the Netherlands and the US by banning advanced chips and certain chipmaking equipment sales to China coming into effect in July[1], China's entire future economic export model is at risk. China, in turn, is now considering banning exports of rare earth magnets, which are needed in everything from electric motors in cars to wind turbines[2]. The move is significant as China controls around 95% of the world's high-strength rare earth permanent magnets market share[3], which it was able to gain due to lax environmental standards in the refining and processing of rare earths[4]. The danger of China controlling the market for these important magnets has been widely known and the Trump administration already invoked the Defense Production Act to ensure US military equipment is made with reliable sources of super-strong magnets – not coming from China, Russia, North Korea or Iran[5]. And it's not all about semiconductors and magnets, as China is also competing with the US on undersea internet cables[6] and perhaps soon with Germany on Electric Vehicles with BYD, Great Wall Motors and ORA set to enter the UK market[7]. Importantly, China's CATL and BYD control over 50% of the lithium-ion battery market share[8].

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[1] https://www.reuters.com/technology/japan-restrict-chipmaking-equipment-exports-aligning-it-with-us-china-curbs-2023-03-31/
[2] https://japannews.yomiuri.co.jp/world/asia-pacific/20230405-101753/
[3] https://www.woodmac.com/news/can-the-rest-of-the-world-repel-chinas-magnetic-pull-over-rare-earth-metals/
[4] https://www.asiafinancial.com/china-contemplating-export-ban-on-rare-earth-magnets-nikkei
[5] https://www.industryweek.com/the-economy/article/22027954/trump-issues-order-to-spur-production-of-rareearth-magnets
[6] https://www.reuters.com/world/china/china-plans-500-mln-subsea-internet-cable-rival-us-backed-project-2023-04-06/
[7] https://otp.tools.investis.com/clients/(S(eksmqbtdfhbmzarzl25mzfbu))/uk/lookers_plc/rns/regulatory-story.aspx?cid=1429&newsid=1679451
[8] https://www.bloomberg.com/news/articles/2023-01-04/china-s-catl-extends-lead-as-world-s-top-ev-battery-maker

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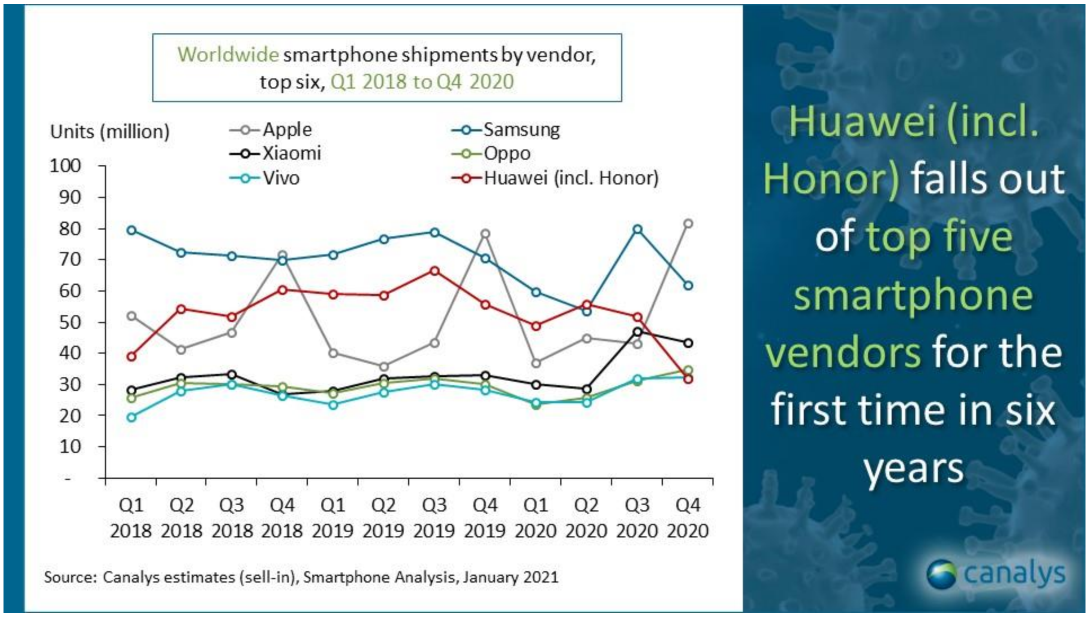
Huawei's decline



Source: Canalys

A path to peace

While many point towards WWIII and even Nuclear Armageddon with Russia, the more imminent risk is perhaps a more dramatic decoupling of the West and the Chinese economy with the trade bans actually being executed. Although trade wars are generally inflationary, a decoupling of the Chinese economy from the West could in fact reduce energy demand and lead to a brief deflationary period coupled with shortages in certain goods. The question is whether it can be averted? Perhaps the person who can best answer this question is the 37th President, Richard Nixon. This interview from 1983 shows some important take aways on how to deal with Russia (& China), a few quotes below:

1. *"It is very important in relations between the US and Russia (the two superpowers) to have very direct talks, avoid belligerence, avoid hot rhetoric, avoid being soft, don't just be nice to them, as charm means nothing to Russians, don't have blusters, they are masters in bluffing blusters. Be firm, know them, know the subject better than them and know to get nothing by charm or bluster."*

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2. *"Confrontation usually strengthens a dictatorship, negotiation and contact can win. As we had more contact with some Communist countries, you could see improvements, such as Yugoslavia or Bulgaria or even China."*
3. *"We have one common interest: Each has the power to destroy the other and if war comes we are both going to be destroyed. We have an interest to avoid war and therefore we need to set up a process to negotiate over the differences."*
4. *"The US and the West needs to develop a military power that will take the profit out of war. If they realise that there is no profit in the war, then we move from there to put more profit into peace. People say don't trade with them, because you gonna build them up. I say, as Eisenhower used to say, sell them anything they can't shoot back. The more they have a stake in peace, the less they are going to be aggressive."*
5. *"As leaders meet it reduces the possibility of miscalculation. And war in a nuclear age is more likely to come by miscalculation. It is irresponsible for leaders of two superpowers not to have contact and communication in order to reduce the possibility of destruction of the entire world".*
6. *"On deals: If their interest will be served, they will keep it. Looking at arms control, once we are making an arms control agreement, they will stretch it to the limit. The point is, we must do likewise. We have to assume that they are taking advantage of every loophole there might be, hence you have to make agreements that are very tightly structured, but give them an interest in keeping the agreement."*
7. *"The problem with many politicians is that they are very able and intelligent, but not very interesting. And there is only one thing worse than being wrong is being dull."*
8. *"We can have peace. But it must be peace not on the fact that we agree, but based on proposition that we profoundly disagree. And we are determined on a process to continue to talk about our disagreements rather than fighting over it."*

Watching the interview and reading these eight quotes, it is astounding how much the Biden administration has done wrong on engaging with China and Russia (and other nations such as Saudi Arabia) and losing over them. And while Trump has been great in avoiding global conflicts and maintaining peace in the world, the fight against the US establishment and the media has nearly led to war within the US and amongst Americans themselves. Therefore, it seems hard to imagine seeing the problems we currently face with Russia, China and ourselves fade any time soon.

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Is China already a Superpower?

With 90% of the world's most advanced chips being made in Taiwan[9] and China being cut off to purchase equipment and machines from the US, the Netherlands and Japan to make advanced chips themselves, China is evermore so reliant on Taiwan. Without advanced chips, China's economic model would slowly decline, and China would not be able to become a major automobile producer and could lose its crown of the world's factory for computers and devices. Therefore, it feels feasible that China is willing to go to war in case it is being cut off from Taiwan's chip exports – but only if China is being cut off from Taiwan's chip exports… The more important takeaway could be whether China will become the leading Superpower or not. The Dutch were a pioneer in innovative sailing ships, the English the inventor of the steam engine, the Americans were the leaders in automotive production, aerospace and later on in computing (in very broad, simple terms). It appears that China targets to become the leader in the energy transition and computing – so far the perhaps most significant achievements from China have been infrastructure, such as high-speed railway, renewable technologies, such as solar power and EVs, mobile payments, e-commerce, AI and 5-G. Crucially, most of these technologies require highly advanced chips. Therefore, the key will be whether China can outpace the US in innovation, while growing its own advanced chip industry quickly or taking over Taiwan. Both points are not clear at this stage. The latter could be made easier if tensions in Syria/Israel/Iran worsen and the US would be engaged militarily in multiple regions simultaneously, namely Ukraine (financially), Middle East and Taiwan[10].

<u>China's world leading market share in specific industries and products</u>

Category	China's market share of world
Li-ion battery	50%
Rare earth elements	80%
Solar panels	70%
Steel production	50%
Shipbuilding	47%
Textile and apparel	35%
Rare metals	50-80%

Source: ChatGPT

[9] "Chip War" by Chris Miller p.165
[10] https://www.japantimes.co.jp/news/2023/04/09/world/us-military-submarine-mideast-iran/

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The end of global capitalism as we know it?

The 1920s continue to resemble the current time very well. The similarities between then and now are almost 1-on-1. The table below is an updated version from previous comparisons and summarises the similarities, which all points towards China becoming the next Superpower. There are a lot of ifs, nonetheless, such as will China's growth continue with demographics looking a lot like Japan in 1990 and infrastructure spending not appearing to recover, leaving steel imports lower than expected[11].

1920s vs. Now: Historic similarities

Parameter	1920s	Now
Superpower has high debt/GDP	The UK had government debt/GDP of 150-190%, while the US had government debt/GDP of 30%	The US has government debt/GDP of over 130%, while China has 77% debt/GDP
New Superpower leads new technology	The US produced 26.5x as many cars as the UK in 1924	China produced over 6mio EVs in 2022, 8x more than the US
Globalisation	The world slowly moved from globalisation towards de-globalisation	It appears like we have reached peak globalisation
Technology	Energy transition from the horse and firewood towards the combustion engine and coal	Energy transition from ICE vehicle and oil and gas to BEV and renewables
Inequality	Top 1% owned 12-19% of total share of income	Top 1% owns 30% of all household wealth
High speculation	Businesses and private individuals were borrowing excessively and bought stocks	High speculation, cryptocurrencies were worth over $3trn
Low interest rates	Interest rates stayed between 4-5% before declining during the Great Depression	Interest rates moved to 4-5% after a long period of near 0%
Pandemic	The Spanish Flu had 4 major waves	Covid also had 4 major waves (Beta, Alpha, Delta, Omicron)
Conflict	WWI followed by WWII	Ukraine war and potential conflicts in Israel/Middle East and Taiwan/China
Trade restrictions	The British insisted on free trade despite the US (& Germany) turning to high tariffs	China has high tariffs in place for many products, while the US insists on free trade

Source: The Forgotten Depression by James Grant

[11] https://splash247.com/chinese-steel-demand-proving-elusive-this-year/

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The US led the transition from the horse to the combustion engine in the 1920s

	Motor vehicle production in 000	
Country	1924	1928
USA	3,666	4,359
Canada	135	242
France	145	210
UK	138	212
Germany	18	90
Italy	35	55
Czechoslovakia	2	13
Russia	0	1

Source: XIII. The Roaring Twenties. Slouching Towards Utopia? The Economic History of the Twentieth Century by J. Bradford

The last turn of this cycle

Putting all the geopolitics aside and focusing on the near-term, my take is that the banking crisis is over (at least for now – see here). Travelling is coming back with a vengeance, as the latest Heathrow passenger numbers underline, where March passenger numbers are only lower for Asia Pacific and Europe compared to 2019 with all other regions showing growth. The year 2023 will likely mark the year to return or perhaps even exceed the pre-pandemic times in terms of movement of people. However, there is a large disconnect amongst industry professionals that sends contradictory messages. Oil analysts expect the market to tighten in H2 [12] and many manufacturing industries expect an improvement in business conditions in the 2nd half of this year after tough conditions in H1, while Jamie Dimon sees savings being eroded by the end of this year: "The consumer spends 10% more than last year, 40% more than pre-Covid, and it looks like they have excess money to spend until roughly end of 2023"[13]. Higher oil prices, mean higher long-end government bond yields and higher interest rates in general. The Fed is now trapped as bank lending is contracting, yet demand for services continues to strengthen[14]. Any monetary easing could lead to a depreciation of the US$ and higher oil prices in $ terms, hitting the US economy. The OPEC oil output cut is also entirely targeted at Western countries, as supply to Asia is set to remain intact[15], while

[12] Amrita Sen. Bloomberg Markets. 03 April, 2023 - YouTube
[13] JPMorgan CEO Jamie Dimon on Ukraine, Russia, China, China, Fed, Economy - YouTube
[14] https://www.pmi.spglobal.com/Public/Home/PressRelease/f6e97649cb0940f99469bc377171d1a3
[15] https://www.reuters.com/business/energy/saudi-aramco-supply-full-oil-volumes-some-asian-refiners-may-sources-2023-04-10/

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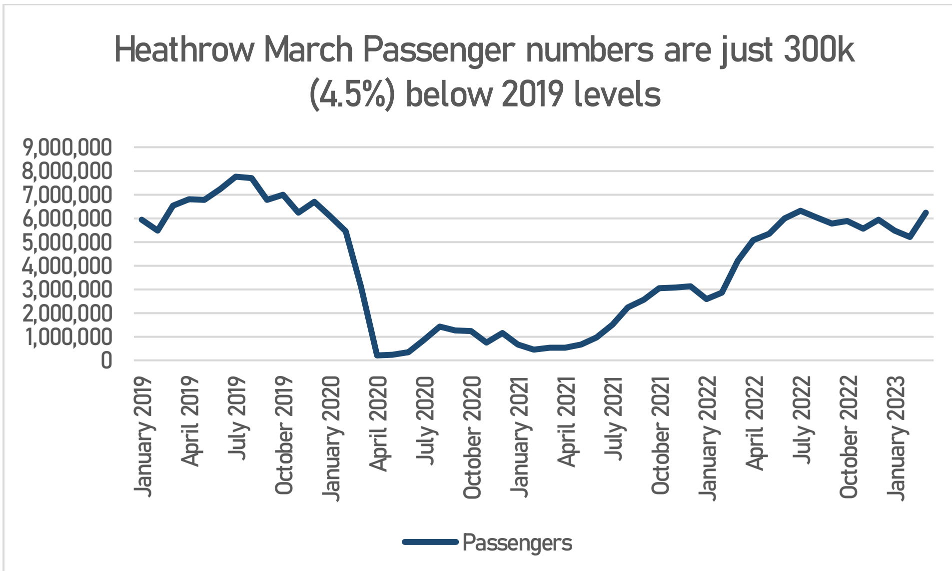
the US is exporting record amounts of crude oil. For the next 2-3 months the 2008 playbook might be the right path to follow with oil spiking in June. US large cap equities appear vulnerable to the downside, not the least as Samsung and Huawei point to slowing smartphone sales and Tim Cook selling Apple shares, while Big Tech is cutting jobs across the board…



Source: Heathrow Airport

Heathrow passenger numbers March 2019 vs. 2023 by region

Month	UK	EU	Non-EU Europe	Africa	North America	Latin America	Middle East	Asia / Pacific	Total
March 2019	391,467	2,217,166	487,150	303,704	1,470,992	114,644	597,277	945,089	6,527,489
March 2023	361,458	2,020,269	446,810	312,404	1,505,953	183,876	643,125	755,739	6,229,634

Source: Heathrow Airport

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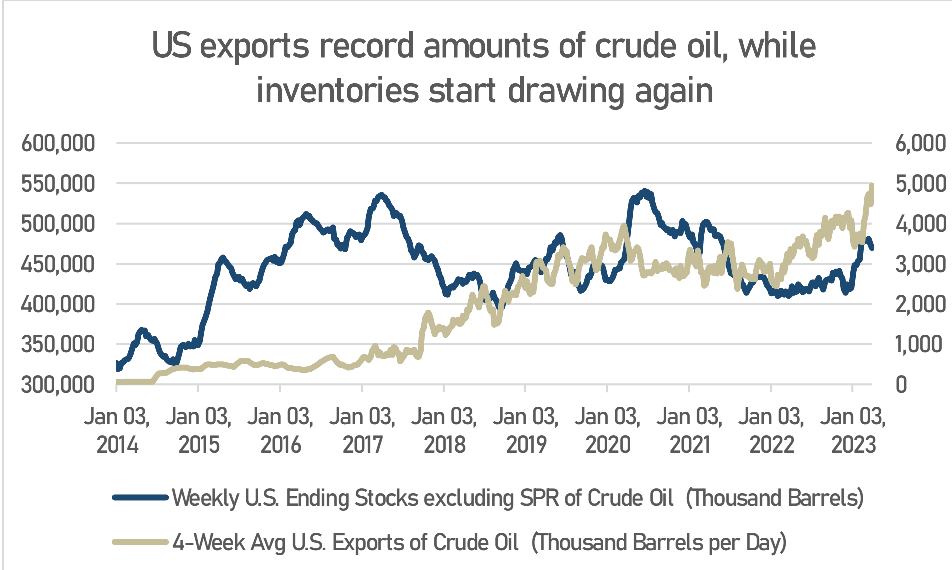
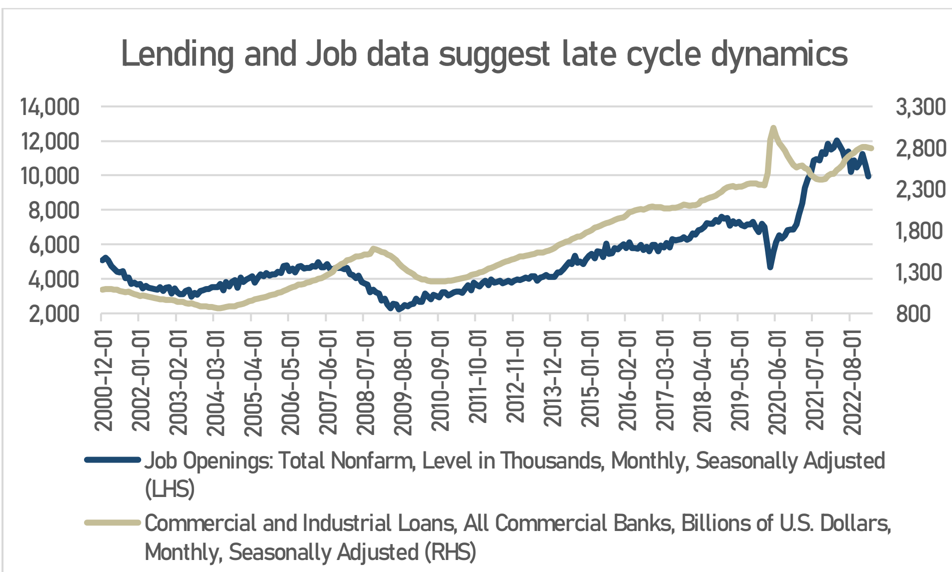


Source: EIA



Source: FRED St. Louis

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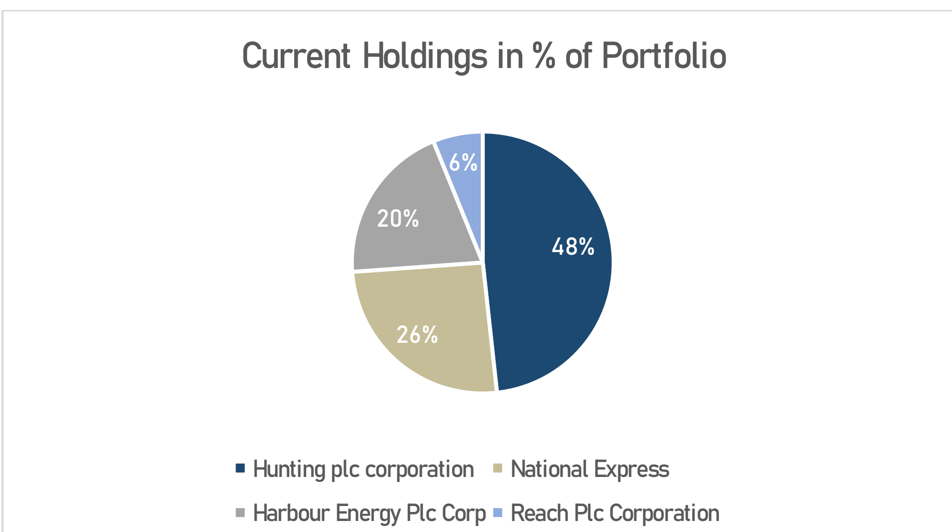
Performance

The 1st quarter of 2023 has been very mixed, having underperformed the FTSE All Share TR by 3%. The year started well with Greencore gaining nearly 30%. However, despite considering it actively, I did not invest in airlines, which were rising by 40% in one month alone. Harbour Energy disappointed as investors focused on UK EPL taxes, rather than the outstanding free cash flow and yield that Harbour Energy offers, especially in comparison to other North Sea players. While I exited all equity positions right after the SVB collapse, which was the right decision, I ended up losing -11% with the UKTi 0.125% 2073, which was a huge mistake, but also a very important lesson. I re-entered equities at attractive levels, buying a position in Harbour Energy, Hunting, National Express and Reach. More details to be found under www.aozorastep.com/turnarounds

Current Holdings

Company	Average Purchase Price	Current Market Price	Currency	% change
Hunting plc	2.33	2.36	GBP	1%
National Express Plc	1.20	1.22	GBP	1%
Harbour Energy Plc	2.44	2.74	GBP	13%
Reach Plc	0.75	0.75	GBP	0%

As of 31st March 2023



As of 31st March 2023

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New Entrants

Since I haven't written turnaround notes on the new positions, yet, here are a few quick points on each.

Hunting

Hunting's valuation dropped by over 15% after announcing higher capex and higher working capital needs in H1 23. The banking crisis then led to another decline bringing the valuation down by over 30% within a month. However, the fundamentals haven't changed. Yes, the rig count is somewhat lower and one competitor cut prices for their perforating systems. Hunting, on the other hand, has a growing international order book with their $86mio CNOOC order being completed this year and their India OCTG facility coming online in July, which is expected to add $100mio net in revenues. Risks related to litigation with Dynaenergetics and the takeover of Benteler by Tenaris being cancelled were also removed, which now doesn't justify any low valuation, especially compared to Oil States International and Halliburton. Overall and in light of geopolitical tensions, US oil and gas supply is becoming ever more so important at the same time.

National Express

When National Express announced their results, including a 5p dividend, shares jumped by over 15%. The banking crisis and a potential UK bus strike then brought the valuation back below £750mio. However, the bus strike never happened due to a 16.2% pay rise, which, although negative for the financials, should improve the valuation again. My expectation is that travelling will come back strongly this summer, which will benefit their more variable UK and Spain business. The table below suggests a cheap valuation compared to history, as underlying operating profit/EV is back at 10%. The 2023 numbers are estimated, showing a recovery in the Spain and UK business, while the US shows a small decline. The 5p dividend (4.16%) also provided some downside protection with ex-dividend date being Friday 14th April.

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National Express valuation

Year	Share count (incl equity raise)	Equity valuation	Valuation + Hybrid	Net debt	Enterprise value	Underlying operating profit	Profit/EV
2023 now)	614	737	1,237	1,258	2,495	250	10%
H1 2022	614	1,382	1,882	1,150	3,032	197	7%
Jul-20	512	768	768	1,050	1,818	-50	-3%
Jul-19	512	2,047	2,047	1,242	3,288	295	9%
Dec-09	512	947	947	658	1,605	116	7%
Jun-09	155	224	224	978	1,202	110	9%
Dec-07	155	897	897	911	1,808	177	10%

Source: National Express, 2023 own estimates & National Express guidance

Harbour Energy

Harbour Energy remains one of the cheapest companies I have ever seen remaining cheap without good reasons. The EPL is affecting Harbour Energy's free cash flow negatively. However, including share buybacks and dividends you get a yield of 14%. Below are some tables that show the generous free cash flows despite the massive tax charges from the EPL at $80/bbl and 100p/therm. Now, compare that to Ithaca that trades at a valuation roughly 2/3 of Harbour Energy. By all means, Harbour Energy appears extremely undervalued and I was finally able to buy at an even more attractive valuation of £2bn. Plus, you own a put option on commodity prices, as the UK government will remove the EPL, if commodity prices fall enough.

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Harbour Energy Free Cash Flow

2023

	CT	SCT	EPL
	30%	10%	35%
Revenue	4,215	4,215	4,215
Hedging			
Opex	(1,100)	(1,100)	(1,100)
Capex	(900)	(900)	(900)
Decom	(200)	(200)	
Interest	(100)	(100)	
Tax losses	(1,000)	(1,000)	
Investment allowance		(562.5)	(261.0)
Taxable profits	915	352.2	1,953.7
2023 Tax charge	**274**	**35.2**	**683.8**

FCF
721

CT = Corporate Tax
SCT = Supplementary Charge Tax
EPL = Energy Profits Levy

2024

	CT	SCT	EPL
	30%	10%	35%
Revenue	5,228	5,228	5,228
Hedging			
Opex	(1,100)	(1,100)	(1,100)
Capex	(900)	(900)	(900)
Decom	(200)	(200)	
Interest			
Tax losses	(1,000)	(1,000)	
Investment allowance		(562.5)	(261.0)
Taxable profits	2,028	1,465.1	2,966.6
2023 Tax charge	**608**	**146.5**	**1,038.3**

FCF
1,035

CT = Corporate Tax
SCT = Supplementary Charge Tax
EPL = Energy Profits Levy

Source: Harbour Energy IR

Ithaca Free Cash Flow

2023

	CT	SCT	EPL
	30%	10%	35%
Revenue	2,454	2,454	2,454
Hedging			
Opex	(590)	(590)	(590)
Capex	(430)	(430)	(430)
Decom			
Interest	(140)	(140)	
Tax losses			
Investment allowance		(268.8)	(124.7)

2024

	CT	SCT	EPL
	30%	10%	35%
Revenue	1,947	1,947	1,947
Hedging			
Opex	(590)	(590)	(590)
Capex	(430)	(430)	(430)
Decom			
Interest	(140)	(140)	
Tax losses			
Investment allowance		(268.8)	(124.7)

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Taxable profits	1,294	1,025.4	1,309.4
2023 Tax charge	**388**	**102.5**	**458.3**

CT = Corporate Tax

SCT = Supplementary Charge Tax

EPL = Energy Profits Levy

FCF
310

Taxable profits	787	518.2	802.3
2023 Tax charge	**236**	**51.8**	**280.8**

CT = Corporate Tax

SCT = Supplementary Charge Tax

EPL = Energy Profits Levy

FCF
183

Source: Harbour Energy IR/Ithaca

Reach

The Daily Mirror and Express owner has a dire outlook, as digital marketing yields have reached an all-time low. However, at £230mio the company is too cheap. With £55mio annual pension deficit contributions, Reach needs to generate high cash flows. Current interest rates and the expectation that interest rates stay higher for longer with the current yield curve inversion being too deep, the pension deficit at -£150mio is close to becoming a surplus. At the same time, UK life expectations have fallen by 2% for the first time ever, as life expectancy remains lower than pre-Covid despite the virus not playing a major role in deaths anymore. This could improve the pension deficit already by £100mio. The company also pays a generous 4.46p dividend (6%) next month. Last but not least, the £17mio annual payment for the Express acquisition comes to an end with the last payment of £10mio being done in H1 23. Reach now expands in the US, hiring 100 journalists, which could impact margins positively. While H2 22 indicated £0mio operating cash flow generation after pension deficit contributions, this figure was impacted by a one-off £20mio of hedged utility costs for the printing business.

Review

My strategy always left room to buy government bonds when I felt like it was a good idea and valuations justified it. During the LDI crisis I benefitted from buying long-duration UK government bonds and linkers, but did so very conservatively. With the SVB crisis I bought a much larger position in the UKTi 0.125% 2073, but at a less attractive entry point. The volatility was quite extreme, seeing a 15% move within two days. I ended up exiting the position with a -11% loss, because the Bear Stearns playbook of 2008 began to make more sense to me, which was followed by rising oil prices and rising long-end yields. Overall, this

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has taught me a lesson to not buy government bonds anymore, unless at a very attractive valuation. Switching from equities into government bonds and back also proves very hard, as once government bonds rally, equities often benefit as well and vice versa.

Outlook

The SVB and CS banking crisis has opened up multiple opportunities to get a share in attractively valued businesses. However, despite the risk of a deterioration of the banking crisis having come down, equity valuations remain low – at least outside big tech. Big tech, on the other hand, appears vulnerable to a sell-off, which in turn could pull the entire market lower. I maintain a longer than usual watchlist, which includes 888 Holdings, Gear4music, Greencore, TI Fluid Systems, N Brown Group and James Fisher and Sons – all potential turnarounds.

Sincerely,

Herrmann

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Appendix: Richard Nixon quotes on Cold War with Russia and other adversaries

1. *"It is very important in relations between the US and Russia (the two superpowers) to have very direct talks, avoid belligerence, avoid hot rhetoric, avoid being soft, don't just be nice to them, as charm means nothing to Russians, don't have blusters, they are masters in bluffing blusters. Be firm, know them, know the subject better than them and know to get nothing by charm or bluster."*
2. *"If we get to know them, it might mean we might like each other even less. But that doesn't mean we have to fight each other."*
3. *"We tend to see the world in black and white, or maybe I should say red and white. What we have to recognize in our system is that Communism is bad, but that doesn't mean they are all the same. Know the differences and remain in touch with those that are not a threat to you"*
4. *"Confrontation usually strengthens a dictatorship, negotiation and contact can win. As we had more contact with some Communist countries, you could see improvements, such as Yugoslavia or Bulgaria or even China."*
5. *"It is very important to address the Soviet Union on television"*
6. *"We have one common interest: Each has the power to destroy the other and if war comes we are both going to be destroyed. We have an interest to avoid war and therefore we need to set up a process to negotiate over the differences."*
7. *"The US and the West needs to develop a military power that will take the profit out of war. If they realise that there is no profit in the war, then we move from there to put more profit into peace. People say don't trade with them, because you gonna build them up. I say, as Eisenhower used to say, sell them anything they can't shoot back. The more they have a stake in peace, the less they are going to be aggressive."*
8. *"As leaders meet it reduces the possibility of miscalculation. And war in a nuclear age is more likely to come by miscalculation. It is irresponsible for leaders of two superpowers not to have contact and communication in order to reduce the possibility of destruction of the entire world".*
9. *"On deals: If their interest will be served, they will keep it. Looking at arms control, once we are making an arms control agreement, they will stretch it to the limit. The point is, we must do likewise. We have to assume that they are taking advantage of every loophole there might be, hence you have to make agreements that are very tightly structured, but give them an interest in keeping the agreement."*
10. *"Peace is like a delicate plan. It has to be constantly tendered and nurtured if it is to survive. If we neglect it, it will wither and die. Peace has barely survived in the rocky soil of the 20th century. The*

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violence of two world wars and scores of smaller wars has nearly uprooted the time again. It has managed to survive, but is far from safe. It is not a grim burden, but an inspiring challenge to build and sustain real peace. Given the alternative of suicidal war, we must not fail."

11. *"The problem with many politicians is that they are very able and intelligent, but not very interesting. And there is only one thing worse than being wrong is being dull."*
12. *"When the Russians put Sputnik into space, it changed the world. The Russians had missiles, which work with satellites vs. the US was reliant on airplanes. Sputnik made close communication even more important, because missiles were so fast that you didn't have the time to have communication before the missile hit."*
13. *"We have to understand the world as it is. Russians and Americans were friends and Allies. But the governance of the US and the Soviet Unions can never be friends, as our goals are totally different. So what we have to do then is to deal with the Russian leaders, recognize them as Russians, they do not have our best interests in mind."*
14. *"We can have peace. But it must be peace not on the fact that we agree, but based on proposition that we profoundly disagree. And we are determined on a process to continue to talk about our disagreements rather than fighting over it."*

Source: 1983 Richard Nixon Interview

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