

## The Re-Entry into a bipolar World

With sanctions against Russia ratcheting up further, the 2<sup>nd</sup> round consequences will start to scoop in. As pointed out in a previous report, [The New Battleground](#), this is about NATO (the West) vs. SCO (the East) and we start seeing this being confirmed now. Importantly, as Fed Chair Powell notes, the Russia-Ukraine conflict may hasten China's SWIFT equivalent, and China could challenge the US\$ reserve currency status... Furthermore, the West will need to secure its future energy needs, and this means a return of fossil fuel capital spending in the short- to medium-term. In particular, the oil majors will likely look to replace their lost Russian income with new production, i.e. higher capex, in the West.

### The United Nations System

The United Nations System was established after World War II with the aim to preventing future wars after the League of Nations proved to be rather ineffective. The United Nations has 193 member states and 2 observer states and hence pretty much represents the entire globe. Of the six major organs of the UN, the first that comes into play when it comes to war is the UN Security Council. On 27<sup>th</sup> February 2022, the UN Security Council voted to hold Russia accountable for invading a sovereign state, and the voting behavior of the individual countries will be key in understanding the new geopolitical landscape.

UN Security Council votes on holding Russia accountable for invading Ukraine:

#### In favour:

Albania, Brazil, France, Gabon (OPEC member, weeks earlier abstained on a Ukraine-related vote), Ghana, Ireland, Kenya (weeks earlier abstained on a Ukraine-related vote), Mexico, Norway, United Kingdom of Great Britain and Northern Ireland, United States of America

#### Against:

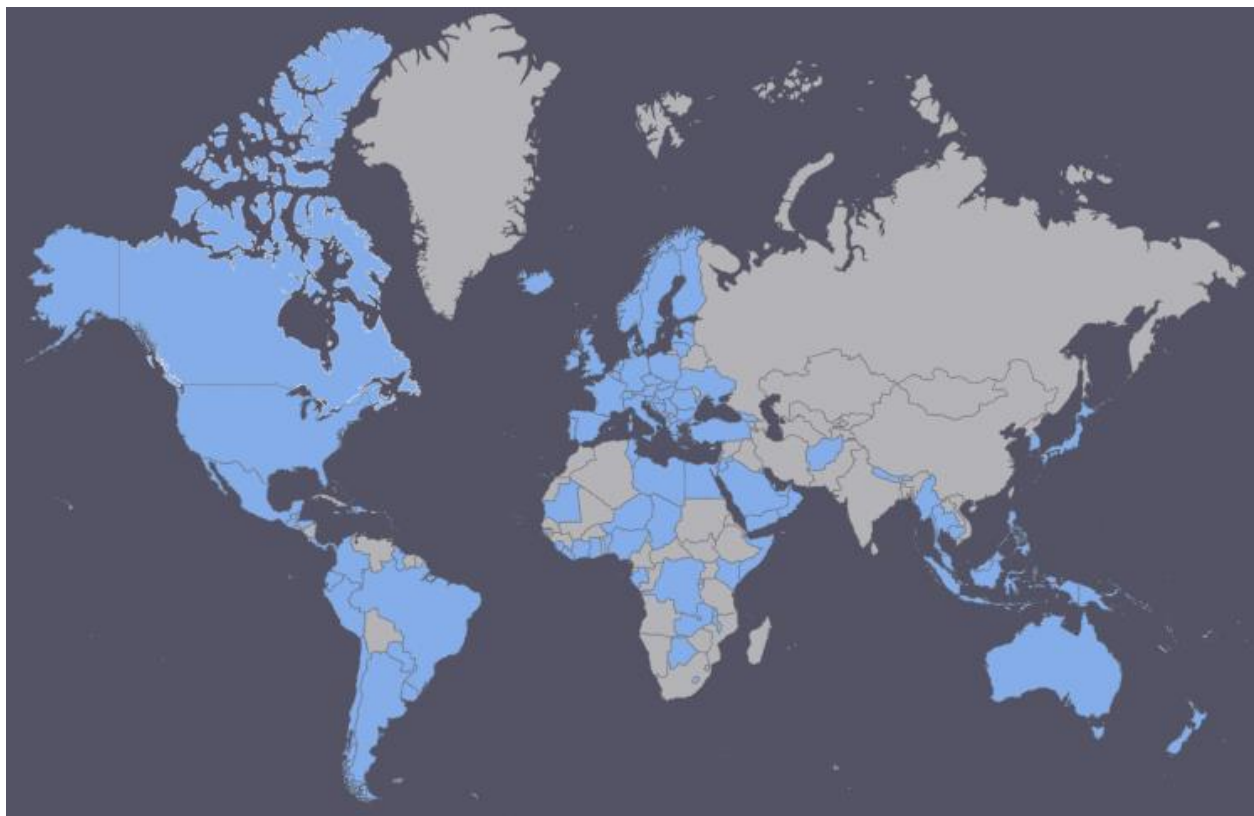
Russian Federation

Abstaining:

China (SCO member), India (SCO member, buys Russian military), United Arab Emirates (OPEC member, they have mutual investments in energy and defense<sup>1</sup>)

Since the majority voted in favour, a day later the UN General Assembly voted demanding Russian Federation to immediately end illegal use of force in Ukraine and to withdraw all troops<sup>2</sup> with 141 member countries voting in favour, 5 countries voting against, 35 countries abstaining and 12 countries not voting (exact results at the bottom, below illustrated on a map):

Countries that voted in favour of Russian troop withdrawal from Ukraine

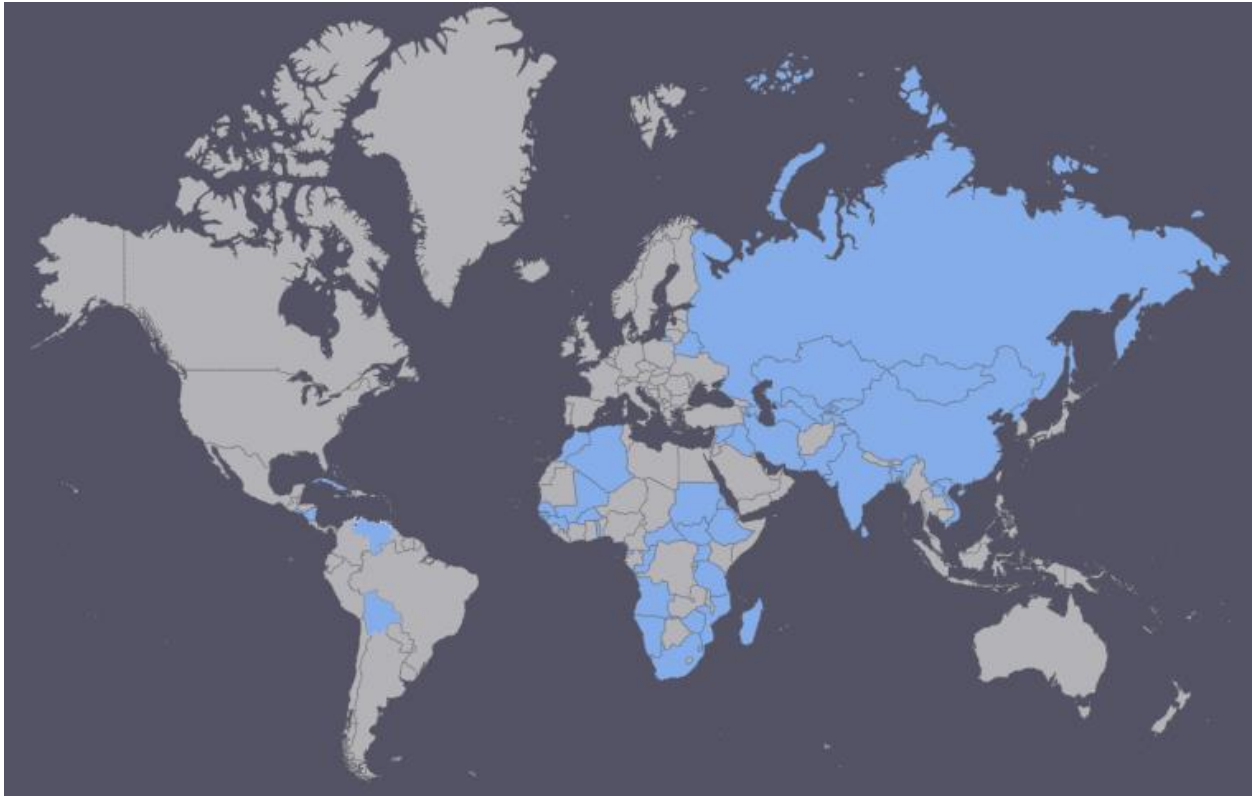


Source: UN

<sup>1</sup> <https://agsiw.org/russia-and-the-uae-monetization-economization-and-militarization-in-the-gulf-and-red-sea/>

<sup>2</sup> <https://www.un.org/press/en/2022/ga12407.doc.htm>

Countries that voted against/abstained/not voted of Russian troop withdrawal from Ukraine



Source: UN

The outcome of the vote could be important in drawing a line for the new bipolar world we live in. The countries that have not voted in favour of Russia withdrawing troops from Ukraine have the following in common:

- 4.5bn people (56% of population)
- Some are members of the Shanghai Cooperation Organisation (SCO) (China, India, Pakistan, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan) or set to become a member (Iran)
- Some are OPEC members (Algeria, Angola, Congo, Equatorial Guinea, Iran, Iraq, Venezuela)
- Some are members of the Collective Security Treaty Organisation (CSTO) (Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan)
- Some are dependent (16-99%) on Russian defense imports (Algeria, Angola, Azerbaijan, Bangladesh, Belarus, China, India, Iraq, Kazakhstan, Vietnam) or Russian security arrangements,

such as the Wagner Group (Burundi, Central African Republic, Equatorial Guinea, Madagascar, Mozambique, Nicaragua, Sudan, South Sudan, Zimbabwe)

- Some are in cooperation with energy or economic projects (Bolivia, Congo, El Salvador, Laos, Namibia, Senegal, South Africa, Sri Lanka, Tanzania, Uganda)

### Bottom line

Overall, it becomes clear that most countries that abstained have close economic ties, either via security arrangements or economic and energy related projects – in particular, in the case of African countries (we all remember Victor Bout). Russia remains an important defense manufacturer or security provider for many countries.

On the other hand, there have been reports of Russians asking to deposit their cash at Chinese banks due to Western sanctions<sup>3</sup> and this brings to question whether China could rival the US's reserve currency status. China certainly benefits from Russia's split with the West and the RMB will likely become a 2<sup>nd</sup> reserve currency given its stability to the US\$ and the majority of commodities and energy production being handled by China, Russia and those countries abstaining from a vote at the UN.

### Detailed UN voting results for Russia withdrawing troops from Ukraine

#### In favour:

Afghanistan (SCO observer), Albania, Andorra, Antigua-Barbuda, Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Belgium, Belize, Benin, Bhutan, Bosnia-Herzegovina, Botswana, Brazil, Brunei, Bulgaria, Cabo Verde, Cambodia (SCO dialogue partner), Canada, Chad, Chile, Colombia, Comoros, Costa Rica, Cote D'Ivoire, Croatia, Cyprus, Czech Republic, Democratic Republic of the Congo, Denmark, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt (potential SCO dialogue partner), Estonia, Fiji, Finland, France, Gabon (OPEC member), Gambia, Georgia, Germany, Ghana, Greece, Grenada, Guatemala, Guyana, Haiti, Honduras, Hungary, Iceland, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kenya, Kiribati, Kuwait (OPEC member), Latvia, Lebanon, Lesotho, Liberia, Libya (OPEC member, but with Western installed government), Liechtenstein, Luxembourg, Malawi, Malaysia, Maldives, Malta, Marshall Islands,

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<sup>3</sup> <https://www.reuters.com/business/exclusive-russian-firms-rush-open-chinese-bank-accounts-sanctions-bite-sources-2022-03-03/>

Mauritania, Mauritius, Mexico, Micronesia, Monaco, Montenegro, Myanmar, Nauru, Nepal (SCO dialogue partner), Netherlands, New Zealand, Niger, Nigeria (OPEC member), North Macedonia, Norway, Oman, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Qatar (potential SCO dialogue partner), Republic of Korea, Republic of Moldova, Romania, Rwanda, Saint Kitts-Nevis, Saint Lucia, Saint Vincent-Grenadines, Samoa, San Marino, Sao Tome-Principe, Saudi Arabia (OPEC member, potential SCO dialogue partner), Serbia, Seychelles, Sierra Leone, Singapore, Slovakia, Slovenia, Solomon Islands, Somalia, Spain, Suriname, Sweden, Switzerland, Thailand, Timor-Leste, Tonga, Trinidad-Tobago, Tunisia, Turkey (SCO dialogue partner), Tuvalu, Ukraine, United Arab Emirates (OPEC member, switched from abstaining in the Security Council!), United Kingdom, United States, Uruguay, Vanuatu, Yemen, Zambia

Against:

Russia (SCO member, OPEC member), Belarus (SCO observer), North Korea, Eritrea, Syria (all failed states or Russian allies)

Abstaining:

Algeria (OPEC member), Angola (OPEC member), Armenia (CSTO member), Bangladesh (defense importer), Bolivia (energy cooperation, defense importer), Burundi (anti-Western, security arrangements), Central African Republic (security arrangements), China (SCO member), Congo (OPEC member, energy cooperation), Cuba (Communists), El Salvador (energy cooperation), Equatorial Guinea (OPEC member, security arrangements), India (SCO member, defense importer), Iran (OPEC member, potential SCO member, SCO observer), Iraq (OPEC member), Kazakhstan (SCO member, CSTO member), Kyrgyzstan (SCO member, CSTO member), Laos (economic cooperation), Madagascar (security arrangements), Mali (security arrangements), Mongolia (SCO observer), Mozambique (security arrangements), Namibia (economic cooperation), Nicaragua (security arrangements), Pakistan (SCO member), Senegal (energy cooperation), South Africa (economic cooperation), South Sudan (security arrangements), Sri Lanka (economic cooperation), Sudan (security arrangements), Tajikistan (SCO member, CSTO member), Tanzania (economic cooperation), Uganda (economic cooperation), Vietnam (defense importer), Zimbabwe (security arrangements)

No vote:

Azerbaijan (SCO member), Burkina Faso, Cameroon, Eswatini, Ethiopia, Guinea, Guinea-Bissau, Morocco, Togo, Turkmenistan (SCO member), Uzbekistan (SCO member), Venezuela (unpaid UN membership fees)



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