

eted. To insure \$10 million of 5-year Russian debt now requires a down-payment of \$5.8 million plus \$100,000 per year, according to ICE Data Services quoted by Bloomberg News. Financial institutions are already losing on that debt as counterparties in CDS.

Pimco, one of the world's largest investment managers, is exposed both as owner of Russian bonds as well as a counterparty in CDS contracts. Precisely, it owns more than \$1.5 billion in Russian Federation bonds and at least \$1 billion in derivative bets that the country would not default. If Russia defaults, Pimco will directly lose over \$2.5 billion at least, but it could suffer a wave of margin calls and investors' flight.

*Wall Street On Parade* wrote,

You have the makings of a replay of the 2008 banking crisis when banks backed away from lending to each other because they didn't know who would fall next from toxic subprime exposure. That led to a liquidity crisis and the unprecedented involvement of the Federal Reserve secretly pumping trillions of dollars into the megabanks on Wall Street and their foreign derivative counterparties.

On March 11, the *Financial Times* published the list of the most exposed Western banks, using data from the Bank for International Settlements. Total exposure is given at \$121 billion, with the largest chunk being in the hands of European banks with \$84 billion, with Société Générale on top of the list (\$21 billion), followed by BNP Paribas (\$3 billion), Credit Suisse (\$1.7 billion), Deutsche Bank (\$1.5 billion). Among U.S. banks, Citibank is the most exposed with \$10 billion. "Given Citigroup's history of understating its subprime exposure during the financial crisis of 2008, that \$10 billion may not be the whole story," the authors commented.

## German Economist: 'We All Lose' from Ukraine War, Sanctions on Russia

by Claudio Celani

*The view of the current crisis of Folker Hellmeyer is summarized here by Claudio Celani of EIR, from a video interview of Hellmeyer by the German website, "Mission Money." Hellmeyer was chief analyst at*

*Germany's Bremer Landesbank for almost 16 years and is one of the country's most distinguished economists.*

March 23—Although condemning Russia's military intervention "from a humanistic standpoint" against all war, Folker Hellmeyer said that the West should be self-critical and recognize that the West first broke international law when it broke its word that NATO would not expand eastward, and again when it violated the Budapest Memorandum. That should be kept in mind when condemning Russia for violating the sovereignty of Ukraine.

And by implementing extraterritorial U.S. law with sanctions, another breach of sovereignty is accomplished. Thus, Germany should ask how sovereign is Germany, before insisting on Ukraine's sovereignty.

As for the economic disruption created by sanctions, Hellmeyer says that we have "a separation of world spheres similar to the Cold War, which however is hitting us more severely than during the Cold War." In fact, he says that we have today a global supply-chain system which "is totally unprepared" for the shock. The current price inflation "is a mild foretaste" of what lies ahead. In the short term, sanctions will hurt Russia, but in the long term, European countries have acted irresponsibly. If you look at a world map to see which countries are not going along with sanctions, you have most of Asia, most of Latin America, Middle East countries—and these are countries producing raw materials and energy commodities that Europe needs. Who will they consider as reliable partners in the future: Us—with a background of regime-change policies—or China and India?

Hellmeyer points to the elements that make the strength of the Chinese economy. The partnership with Russia, provoked by America's singling out both Russia and China as enemies, has provided China with energy supplies at a discount price relative to the world market. Through the Belt and Road policy China has secured raw material supplies, and its education system is, to put it diplomatically, far superior to the Western system, so that China is building more productive human capital.

All these factors make China a stable and growing economic power. Hellmeyer also exposes the Western arrogance, which has failed to acknowledge different cultures such as China's Confucianism that subordinates individualism in respect to the well-being of the community.