

A panoramic view of the Moscow skyline at sunset. The sky is filled with dramatic, orange-hued clouds. In the background, several modern skyscrapers of the Moscow International Business Center (MIBC) stand tall. In the foreground, a mix of older, multi-story buildings and a church with golden domes are visible. The overall atmosphere is one of a city transitioning from day to night.

Resetting the Board Newsletter-April 2022



Introduction

Included in our 2021 end of year newsletter was a [warning of a possible Russian invasion of Ukraine](#). At the time, Russian forces had begun amassing along the Ukrainian borders, and Ukrainian and Western analysts warned of the coming invasion. Our analysis forecasted that the threat of sanctions would do little to deter any Russian actions in Ukraine. Unfortunately that analysis proved timely and accurate.

On 24 February 2022, Russian Forces launched a mass-scale invasion, dubbed a “Special Military Operation,” by the Kremlin. The ostensible goal being to “de-nazify” Ukraine, and protect the Russian speaking segments of Ukrainian society. In the subsequent weeks Russian forces have pushed into Ukrainian territory from the Russian border, the Crimean Peninsula, Separatist occupied Donetsk and Luhansk regions, as well as Belarus. While Russian military planners seemed to have underestimated Ukraine’s ability to mount a defense of their territory, Russia has made some partial gains into Ukrainian territory. As of the time of writing Russian forces have encircled Kharkiv, decimated Mariupol, and launched what is shaping up to be a long-term siege of the capital city Kiev. Nevertheless, many analysts believed that due to Russia’s overwhelming military superiority, buttressed by a decades-long modernization program of the Russian Armed Forces, they would be able to steam roll deep into Ukraine. But due to a variety of intelligence failures, this has not happened. [On the contrary, Russian advancement has completely stalled and a variety of intelligence failures have](#)

[prevented meaningful victories for the Russians.](#)

Despite Russia’s military setbacks, their actions in Ukraine have caused instability across global energy markets. Oil prices have skyrocketed and European leaders are scrambling to find alternatives to Russian energy to cope with their sanctions launched against Russia. Not only will these changes be slow, but it is unlikely that they will be able to stop Russia’s behavior. What is already happening is surging global energy prices will send Western economies into states of high-inflation and stymie global markets’ post-Covid recovery. The US is also considering reversing course on long standing policies, such as lifting sanctions on Venezuelan oil to cope with the economic impacts of the growing energy crisis. Furthermore, the Kingdom of Saudi Arabia, due to increased dissatisfaction with Washington, has [made overtones that they would be willing to accept payments](#) in CNY for oil. Such a move would threaten not only energy markets, but ripple across the global economy and deteriorate the US dollar and by proxy its economic influence.

As Western leaders continue to sever ties with Moscow, the Kremlin is actively seeking alternatives to keep their own economy afloat. [To that end, Russia has begun courting partners like China and India to establish mechanisms](#) to conduct economic activity independent of the West. The threat of expelling Russia from the SWIFT financial system remains on the table for Western decisionmakers. The Russian economy is already hurting and establishing a secure payment mechanism between Moscow-

Beijing-and New Delhi could provide a needed lifeline.

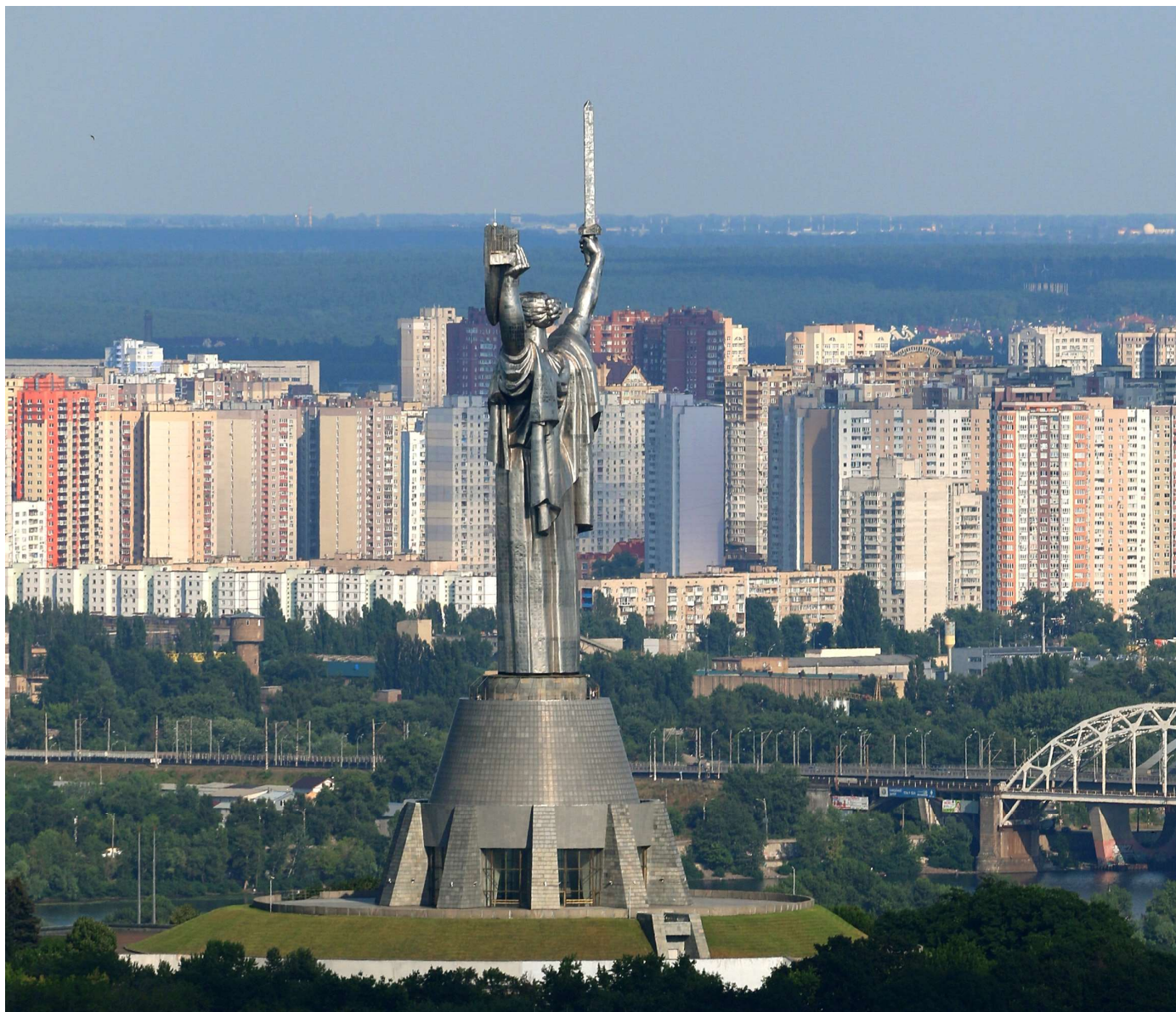
China itself, while making symbolic calls for peace in Ukraine, has remained outside of the power struggle over Ukraine. Despite urging from Washington for Beijing to use its influence in Moscow to pressure Putin to reverse course, China remains focused on its own affairs. On 4 March to 15 March China [conducted snap military exercises](#) in the South China Sea. Furthermore, preparations are well underway for the 20th Chinese Communist Party Conference in which Xi Jinping and his Zhejiang Clique will finalize and consolidate power for years to come. These consolidation efforts have been years in the making and are continuing at pace, but the year of the tiger may prove the most consequential for China’s role in the 21st century.

While in some areas of the former Soviet Union open conflict has broken out, [protests broke out across Kazakhstan earlier this year, ushering in a new chapter of their history.](#) Kazakhstan has long been regarded as one of the most stable of the Commonwealth of Independent states. But that notion was shattered as Tokayev marginalized elites close to the nation’s former ruler Nazarbayev, and required the assistance of Moscow to reestablish law and order in the country. As Tokayev has achieved his goals a new era has dawned in Kazakhstan. This new reality in Kazakhstan has created a unique opportunity for investors to take advantage of the litany of opportunities in the country.

Failures in Intelligence: Russia's Invasion of Ukraine

The Russian invasion of Ukraine is underscoring the importance of accurate information necessary to inform organizations' decision-making. The Kremlin undertook an ambitious plan to invade the largest country in Europe based on years of intelligence gathering and military planning. Following a months-long buildup of forces along the Ukrainian borders in Russia and Belarus, many analysts forecasted that a Russian incursion of some kind would be on the near horizon. However, most underestimated the scale of the Russian plan or ambition. Whatever ambitions the Kremlin may have had at the start of the invasion, it is clear that it has not been going well for Russia on a tactical, strategic, or diplomatic level. President Vladimir Putin was either supplied with inaccurate intelligence or disregarded accurate assessments of the viability of this invasion. Indications point to the former with reports of the Kremlin placing high-level intelligence officials under house arrest. Putin is clearly becoming dissatisfied with his intelligence officials throughout the course of this invasion.

Russian airstrikes targeted military sites across the country, from the far Western regions around Lviv, to the port of Odessa in the South. Nevertheless growing evidence is indicating that the Russian invasion has completely stalled, and they are facing a variety logistical failures. The cost of these failures will be increasingly exacted on the Ukrainian civilian populations. Russia initially avoided indiscriminate targeting civilians in the early stages of the invasion. But as the invasion has continued Russian Armed Forces are increasingly targeting civilian locations.

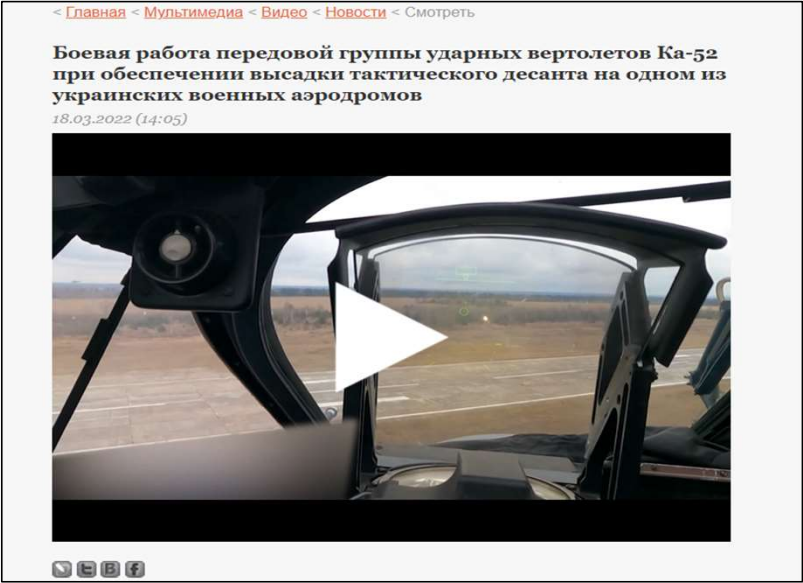


On the tactical level, it would appear that Russian military planners either overestimated their ability to achieve strategic objectives, or underestimated the level of Ukrainian resistance that they would encounter. The operation to capture the Hostomel Airport in the early hours of the invasion is one example that illustrates the type of intelligence failures that have prevented the success of the Russian invasion.

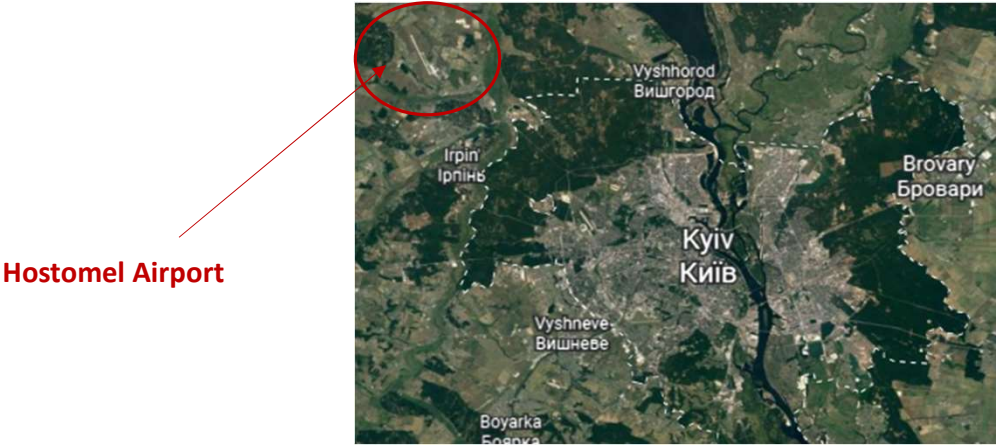
The initial Russian invasion, comprised aircraft and targeted missile strikes on key Ukrainian military locations around the country. These airstrikes were intended to support an armor and infantry led ground invasion, in conjunction with airborne deployments capturing forward strategic locations. One such key location was the Antonov Airport in Hostomel, just north of Kiev. In the initial hours of the invasion, Russian airborne forces were tasked with capturing this airfield. Such an objective could have supported advancing Russian divisions with the necessary logistical support and reinforcements, and placed Russian forces in immediate striking distance of Kiev on day 1.

In the early hours of the assault roughly 30 Russian Ka-52 attack helicopters entered Ukrainian airspace, flying low to evade radar detection, and began striking the Hostomel’s defensive infrastructure. The [Russian Ministry of Defense recently released footage](#) of these air-attacks on Hostomel.

Shortly following the initial air attack, a [wave of Mi-8 transport helicopters began landing at the airport and inserting Russian airborne units on the ground](#). While the number of Mi-8s in the wave remains unclear, each are capable of carrying around two dozen airborne soldiers. Russian forces initially secured the airfield, and began awaiting the arrival of over a dozen Ilyushin Il-76 military transport planes, each capable of carrying 60 passengers or two shipping containers worth of cargo. The success of this operation could have deployed a sizeable Russian force just outside Kiev.



Footage of Russian Ka-52 attack on Hostomel



What Russian units failed to do was secure the areas around the airfield, and special forces attached to the Ukrainian Main Intelligence Directorate of the Ministry of Defense were able to mount a formidable counterattack. [Ukrainian reports indicated](#) that units of the Prince Svyatoslav Brigade (3rd Special Forces Regiment) killed at least 50 Russian fighters and recaptured Hostomel. Reports also indicated that Russian Maj. General Andrei Sukhovetsky, a senior figure in the Russian airborne, a veteran of Chechnya, the annexation of Crimea, Syria, and Abkhazia [was killed during the fighting by Ukrainian sniper fire](#). While there are differing accounts, his direct involvement in this operation could indicate two important points, the necessity of the success of this operation to Russian command, and the overconfidence of the Russian planners to place such a high-value target in the direct line of fire.

Fighting raged on at the airport over the next week, and Russia and Ukraine both claimed to have established control over the airfield. A Russian armor unit advancing to reinforce the airport, was stalled and stopped by Ukrainian anti-armor attacks, and Russia’s failure to establish air-superiority ultimately led to the catastrophic failure to take the airport and hold it.

While the airport has since fallen under Russian control, the element of surprise was completely lost, and the strategic value for which it was targeted in the early stages of the invasion diminished critically. But Hostomel was just one case of a Russian intelligence failure on the battlefield. The variety of these failures are turning what Russian planners believed would be a short military special operation into a protracted conflict. While Hostomel illustrates the breakdown in Russian intelligence and planning, similar instances are playing out across Ukraine, at a high cost for invading Russian forces.

Ukrainian [officials have claimed](#) that as many as six top Russian commanders have been killed since the start of the conflict. In a conversation with CNN, the former Director of the Central Intelligence Agency David Petraeus who also served as the head of CENTCOM and ISAF in Afghanistan [claimed that Ukrainian snipers](#) are “picking [Russian commanders] off left and right.” Petraeus among others noted that due to intelligence failures, Russian forces are being forced to use unsecure communications networks, leading to loss of senior leaders on the battlefield. [As Petraeus noted](#), “their command and control has broken down.”

Russian Commanders Likely KIA



Maj. Gen. Andrei Sukhovetsky
Deputy Commander 41st Combined Army



Maj. Gen. Andrei Kolesnikov
Commander 29th Combined Army



Maj. Gen. Vitaly Gerasimov
Chief of Staff 41st Combined Army



Maj. General Oleg Mityaev
Commander 150th Rifle Division



Lt. Gen. Andrei Mordvichev
Commander of 8th Combined Army



Lt. Gen. Yakov Reznantsev
Commander of 49th Combined Army

The failure to accurately assess the sentiment of the Ukrainian people, is another indicator that Vladimir Putin and the Kremlin were not supplied with accurate intelligence. Due to Ukraine's complex history and relationship with Russia the nations are often referred to in both countries as "brotherly nations." For much of the 20th century, Ukrainian history was intertwined with Russian history. [Multiple leaders of the Soviet Union](#), including Nikita Khrushchev, Leonid Brezhnev, and Mikhail Gorbachev were all Ukrainian, and Ukrainians were represented throughout the upper-echelons of Soviet power throughout its existence. Thus Russian leaders since the collapse of the Soviet Union have long regarded Ukraine as an indispensable part of Russia's sphere of influence. A Ukraine apart of a so-called "*ruskiy mir*" or Russian world is unacceptable for Russian leadership. Many Ukrainians despise this notion, and increasingly look westward toward their nation's future, and see Russia as a part of their past.

Ukrainian demographics also underline the intertwined nature of Russian and Ukrainian peoples. In the Eastern and Southern portions of Ukraine, the Russian language dominates, and its level of usage diminishes in the further western portions of the country. [A March 2015 survey indicated](#) that in Kiev alone, over 70% of respondents claimed to use Russian within their home. Thus, the complex relationship between Ukrainian nationalists in the West, that have campaigned to marginalize the Russian language in the country has not only angered Russia, but marginalized Russian speakers and civil society in the country. As recently as January 2022, prior to the Russian invasion, [provisions of a 2019 law came into effect](#), that

required the Ukrainian language to dominate in most aspects of public life. These actions further marginalized the Russian language and by result Russian speakers in the country. The [Council of Europe asserted that the law failed](#) in applying a fair balance and safeguarding minorities linguistic rights, a key principle in many European Union Member States. Thus, a Kremlin narrative about Ukrainian efforts to discriminate against the Russian segments of the population are not entirely without merit. Furthermore, it is likely these efforts by Kiev, that factored into Russian intelligence estimates that the Russian speaking segments of the population would be receptive to Russian forces. In the Kremlin's mind, Russian speakers in Ukraine would greet Russian forces as liberators. However, this has been far from the case as [waves of protestors](#) have started confronting advancing Russian troops and occupation forces even in the predominately Russian speaking areas.

Not only did the Kremlin underestimate the Ukrainian population's sentiment towards the war, but they also underestimated that of their own. In the early days of the invasion Russian police [started detaining](#) anti-war protestors around the country. These anti-war demonstrators were fined for violating rules on public gatherings and Russian officials warned Russian citizens not to engage in these demonstrations or face a permanent criminal record. Nevertheless, an independent Russian monitoring group OVD-info has [logged over 15,000 detentions](#) in the first month of the conflict alone.

While the Kremlin likely expected some level of backlash from segments of Russian society, it is unlikely that Putin expected the Russian population to react at such a level across the country. [Russian censorship has also kicked into overdrive](#) as the Kremlin has blacklisted any mention of the special operation as a "war," and made spreading false information about the situation in Ukraine punishable by up to 15 years in prison.

Even Russian oligarchs such as: Roman Abramovich, Evgeny Lebedev, Oleg Deripaska, Mikhail Friedman, and Oleg Tinkov, [have joined calls for peace](#). Since the downfall of Mikhail Khordokovsky, Russian oligarchs have by-in-large stayed out of politics. In return, the Kremlin has not targeted them for corrupt investigation, and allowed them to maintain their wealth. Thus, it is unclear if the Kremlin provided permission to these oligarchs to say what they needed to say to protect their wealth or this marks a turning point for the Kremlin's relationship with the oligarchs. As many oligarchs have had their assets frozen, confiscated, or targeted since Russia's invasion of Ukraine, the Kremlin was likely unprepared for the coordinated Western response. The Russian oligarchs had little time to prepare for the economic levers the West would pull to punish and pressure the Kremlin. For example, [Roman Abramovich is currently moving his superyachts](#) from one safe port to another in an effort to avoid their confiscation.





A final level of intelligence failure influencing Russian decision-making is understanding the reaction from Western governments to their actions in Ukraine. While NATO members and Washington had warned Russia that a significant economic package of sanctions would target Russia's economy should they invade, it is unlikely they foresaw this level of response. [Sergei Lavrov recently confirmed as much](#). While the threat of sanctions did not prevent Russia from invading Ukraine, they are exacting a heavy cost on the Kremlin for its decision.

[On 11 March 2022, the US froze the assets of elites](#) closest to President Vladimir Putin, including VTB Bank's management board, and Kremlin Spokesperson Dmitry Peskov. Furthermore, [US President Biden issued a new executive order](#) prohibiting the exportation of USD banknotes to Russia, new investments in the Russian economy, the exportation of luxury goods to Russia, and the importation of Russian alcohol, fish, and diamonds. While the Kremlin likely expected many of these actions from the US it is unclear if they expected the EU to follow suit. [On 15 March 2022, the EU implemented trade restrictions](#) for the import of Russian iron, steel, and prohibited all transactions with a handful of Russian state-owned enterprises. The EU also prohibited investments in the Russian energy sector and imposed an export restriction on equipment, technology, and services for the Russian energy sector.

While Russia indeed expected a set of sanctions to target their economy, it is unlikely that the Kremlin expected this level of response from around the globe. Afterall, Russia annexed the Crimean Peninsula in 2014, and has participated in an ongoing conflict in the Donetsk and Luhansk regions in the Eastern portion of Ukraine since that time. While a few rounds of sanctions were established against Russia for these actions, the EU remained unable to boycott Russian energy entirely due to their reliance on Russian oil and gas. But [Brussels is now seeking to diversify](#) their energy imports away from Russian sources. Calls from governments around the globe have denounced the Kremlin's actions in Ukraine, in an unprecedented show of solidarity with Ukraine. In the UN General Assembly on 2 March 2022, [only five countries including Russia, voted against a resolution](#) to condemn Russia's activities in Ukraine: North Korea, Eritrea, Syria, and Belarus, also a party to the conflict.

The Russian economy remains in free fall, and the Russian stock market closed from 24 February 2022 to 21 March 2022, while only re-opening to initial bond trading. These sanctions on the Russian economy are unlikely to deter Russian actions, and will further drive a wedge in-between Moscow and the West. It also remains unclear for how long the West can stand united on a boycott of Russia.

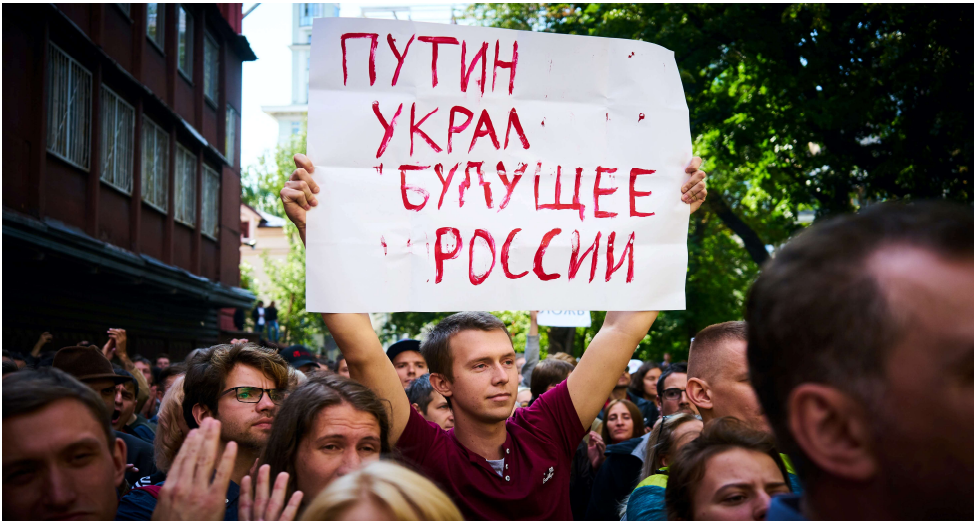
The Kremlin's intelligence failures are playing out for the world to see, and Putin's growing dissatisfaction with his intelligence services is becoming increasingly apparent. Andrey Soldatov, a longtime Russian security service watcher, [reported](#) on telegram that Sergei Beseda the Chief of the FSB's Fifth Service for Operational Information and International Relations and his deputy were placed under house arrest. Soldatov underlined that providing false information about the political situation in Ukraine was a key reason for their arrest. Additionally, prior to the invasion, a clip of Russia's Security Council meeting on 20 February 2022 went viral when [Putin berated the chief of the SVR](#) (the foreign intelligence service) Sergei Naryshkin. In the clip, the top foreign intelligence official in the Kremlin was seen stammering and struggling to provide the answer that Putin wanted to hear.

Both of these episodes indicate Putin's growing dissatisfaction with his intelligence officials. Furthermore, they indicate a key breakdown in the Russian intelligence cycle. Whether top intelligence officials are not providing Putin with the information he needs to inform his decision-making, or just telling him what he wants to hear, somewhere in the process there is catastrophic failure. While the Russian invasion rages on, intelligence failures will continue to not only cost Russia economic viability, and relations with the West, but Russian lives.



[Ukraine estimates that over 12,000 Russian soldiers have been killed on the battlefield.](#) While these numbers are likely inflated, US estimates place Russian losses around 7,000 troops, Russia is undoubtedly experiencing significant losses. In Operation Iraqi Freedom from 2003 onwards, [US Forces reported](#) around 4,500 fatalities. Russian forces cannot sustain this level of loss, and likely did not foresee this level of casualties.

While the outcome of this conflict remains undecided, organizations in the West will face new compliance challenges, to decouple themselves from Russia. Oftentimes, Russian actors have undertaken great strains to obscure their beneficial ownership and evade sanctions. Thus, with sweeping sanctions targeting the Russian economy, the challenge of navigating these risks grows.





Russia and Ukraine Growing Energy Crisis

The recent Russian invasion of Ukraine, has exacerbated fears of long-term security, geopolitical, and economic consequences. In particular, fears of energy shortages in Europe and, consequently, the impact of a surge in global energy prices is creeping into global markets.

While Russian officials, including Foreign Minister Sergey Lavrov, [have jockeyed to evade](#) and return Western sanctions in kind, US and European decision-makers are increasing their economic responses to the current developments. For the time being, [President Biden has ruled out the possibility of sending US troops to Ukraine](#), and warned Putin against any incursion on NATO territory. Instead, [the US and its European allies have launched a comprehensive package](#) of targeted economic sanctions to counter Russia's activities in Ukraine. These sanctions have thus far, avoided expelling Russia from the SWIFT financial system, but have limited its access to high-tech exports, and targeted Russian elites around the globe. [Germany has even frozen the Nord Stream 2 pipeline project](#), which carries natural gas supplies from Russia to Germany.

In response to these measures, Russia could cut off its oil and gas supply to the rest of Europe. This scenario would cause a severe gas shortage across the continent, which imports more than a third of its gas supplies from Russia. Ultimately this would exacerbate the already existing energy crisis triggered by lowered gas stockpiles and increased prices in late 2021. Last year, the cost of a barrel of oil tripled and ended the year around 90 USD per barrel. [Oil surged past USD 100 per barrel](#) hours after the Russian invasion. Heavy European reliance on Russian Energy gives the latter leverage to steer negotiations to its desired direction. It is also important to note that gas and oil sales [account for more than 40% of Russian government revenues](#). Therefore, terminating its transactions with Europe is going

to create a considerable dent in the Russian budget and economy.

The US is actively searching for new channels of energy supplies for Europe. Namely, on 31 January 2022, [President Biden met the ruling leader of Qatar](#), Emir Sheikh Tamim. Observers viewed this meeting as an attempt to encourage Qatar, the world's second-largest liquified natural gas (LNG) exporter, to boost European supplies in the coming months. However, one new supplier will not be enough to fill in the void left by Russia, and other suppliers will have to assist. [The US has already pledged to increase its LNG exports to Europe](#) to assist the Union's efforts to diversify away from Russian gas. However, these changes will take time to implement.

[Experts have pointed out](#) that Europe's diversification of energy suppliers will come at a markedly higher cost. They explained that energy producers could redirect their shipments to Europe, or add other sources, such as coal, to their energy mix, which would inevitably affect the prices and leave European consumers with significantly higher bills. Consider as well, that Germany, the EU's largest economy does not even maintain a single LNG terminal to accept US deliveries, and is [attempting to build one to come online in 2024](#). Moreover, since we live in an ever more globalized world, the regional conflict in Europe will likely have a global spillover, thus causing worldwide energy prices to spiral. This will leave an already fragile post-Covid economy struggling to recover.

Since the conflict began, energy prices have skyrocketed so much, that US policy-makers are even [considering lifting sanctions of Venezuelan oil](#), to cope with global shortages caused by a disruption of trade with Russia. Consumers around the globe will face inflation, and higher energy prices, and the economic outlook for the globe is bleak.

Global Payment Systems: Can China and Russia build SWIFT alternatives?

The ongoing conflict between Russia and Ukraine, reintroduced the possibility of Russia becoming cut off from the Society for Worldwide Interbank Financial Telecommunication (SWIFT). A similar strategy of excluding Russia from the Belgian-based system [was proposed in 2014](#), after the Russian annexation of Crimea. This announcement led to a barrage of articles in Russian media stating that Russia can create its own provider of secured financial messaging services. And eventually, Russia [set up the System for Transfer of Financial Messages \(SPFS\)](#), used for its internal financial market. Prior to Russia's invasion of Ukraine, SPFS served around 400 commercial banks, and has limited coverage compared to SWIFT.

There is speculation globally that there is [a unique opportunity to establish an alternative global payment system](#), led by China and Russia. The [Chinese Cross-Border Interbank Payment System \(CIPS\)](#), established in 2015, and quoted in RMB, could be integrated with the Russian SPFS, sidelining the US dollar. The only remaining detail, would be to reach an agreement on which currency would be the base currency of this system - the Ruble or the RMB.

While this proposal is technically feasible and might stand as a probable scenario in not so distant future, there are reasons why such strategic cooperation between Russia and China may not be imminent.

First, the West could hardly push Russia entirely out of SWIFT without causing damage to its economies, as some are co-integrated with the Russian provision of resources, particularly natural gas.

Before the outbreak of World War One, the United Kingdom considered a similar strategy to target the German economy. British planners pondered if fast and decisive action to destabilize the German economy would also inflict severe damage to the global supply chain and the UK economy. Eventually, the plan was discarded as the effects to the global economy would transmit the relatively unpredictable ripple effects to the United Kingdom. Similarly, the global economy nowadays is highly interconnected, and Russian exclusion from the SWIFT would incur damages on both sides of the Ukrainian borders. As of writing a handful [Russian banks have been cut off from SWIFT](#) but Russia as a whole has not been.

Secondly, while considered allies in the media, Russia and China have a relationship based not entirely on trust. Russian elites are looking towards the West and see themselves as a part of the Western world. Furthermore, China would hardly unconditionally support Russia against the West. China also implicitly supported the financial sanctions of the West against Russia, limiting its financing for infrastructural projects in Russia after the annexation of Crimea in 2014.

While the Sino-Russian global payment system is technically possible and could include a limited number of states and regions, offering an alternative to SWIFT, it would require time and coordination. [The Russians have already started courting India](#) to join such a system. But the most significant challenge would be to obtain the political will and the readiness of global powers to stand against the West's financial system, thus engaging in uncharted futures.



The Year of the Tiger: The Zhejiang Faction

On 1 February 2022 Chinese nationals around the globe entered the 24th solar term of the traditional Chinese Calendar, known as Da Han 大寒, and celebrated the Spring Festival, or Chun Jie 春节. While celebrations occurred throughout Chinese homes on The Mainland, and around the globe, in the home of Chinese politics - the Great Hall of the People in Beijing, Chinese decision-makers prepared for an event of a different kind. The all-important 20th National Party Congress of the Chinese Communist Party (CCP). This event will shape Chinese domestic and international politics and influence the lives of people around the world, whether they are aware of it or not.

This year's CCP Congress will have a profound political and economic effect stretching far over the Chinese borders. The country's leaders are getting ready to re-elect Xi Jinping for the unprecedented 3rd term as the General Secretary of the CCP, the Chairman of the Military Committee, and President of China. This will confirm his authority as the undisputed leader of China and solidify the [ever-growing power of Xi's faction](#) in the CCP, known as the "Zhejiang Clique", or "Zhejiang New Army", as it is often referred to by its opponents.

[The rise of Xi and the Zhejiang Clique began](#) in early 2008 when it was becoming clear that Xi Jinping was the most likely to succeed Hu Jintao as the Chairman of the CCP and the President of China. However, the faction

was formed much earlier, when Xi served as the Party Secretary of the highly-developed and prosperous, coastal Fujian Province, and its neighboring Zhejiang Province. [Zhejiang is one of the richest province in China](#) with its capital Hangzhou's GDP easily surpassing GDPs of more than a few European countries combined.

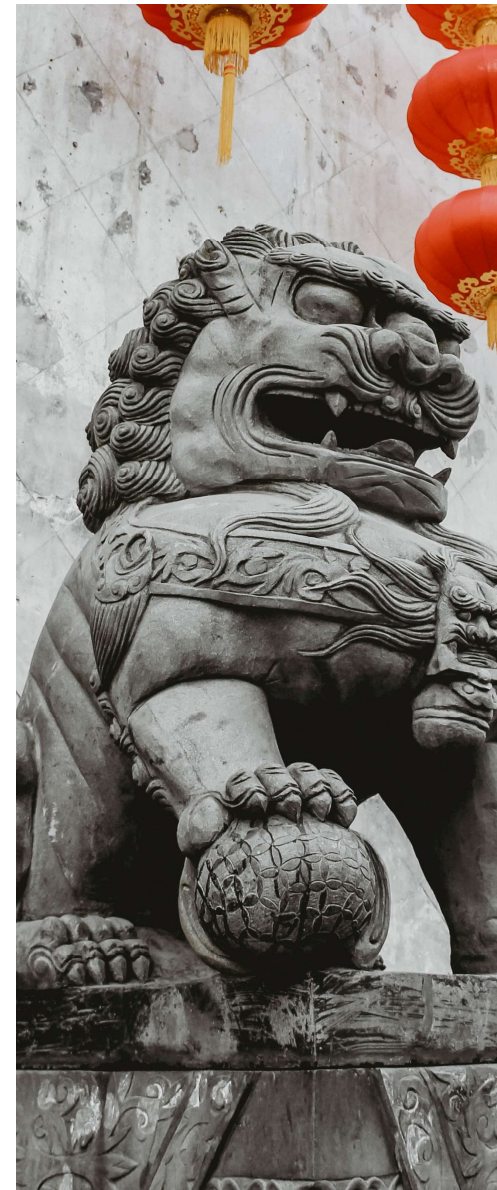
It was at that time that officials who held important provincial and local posts under Xi's governance formed a strong alliance and became closely associated with him. These individuals identified themselves with his political views of Socialism and Chinese Neo-Nationalism. The Clique members have since taken on prominent political posts throughout provincial levels and at central government levels.

The [Zhejiang Clique has been expanding its power at the expense](#) of the Chinese Communist Youth League (CYL) or Tuan Pai 团派, as it is commonly known. The CYL previously served as a path for aspiring party-cadres and a powerbase for former president Hu Jintao. Xi and his group systematically neutralized all potential threats from the CYL. This included the immensely powerful former Mayor of Dalian and Chongqing, Bo Xilai. He was Xi's biggest rival to his leadership and [is now serving a life sentence](#) for corruption and abuse of power.

Ahead of the 20th Party Congress the Clique is still removing cadres affiliated with the CYL Faction, still led by Hu Jintao. These cadres form a large bloc within the

25-member Politburo. Ex-president Hu, a former First Secretary of the CYL, is generally considered a timid, bureaucratic politician. Nevertheless, he served in the Politburo Standing Committee (PBSC) for 20 years until [his retirement in 2012](#), a retirement orchestrated by Xi and his clique.

President Xi's tough tactics for eliminating the CYL faction were summed up by his widely-circulated internal assessment of the league. Xi stated that it was "paralyzed from the neck down." The CYL was also [labeled as being too](#) "bureaucratic, procedurally minded, aristocratic and entertainment-oriented (Chinese: 机关化、行政化、贵族化、娱乐化)". [Xi gave orders](#) that the personnel establishment of CYL units both at central and regional levels should be cut. The CYL's budget from 2016 onwards was cut. Last year it was decreased by over 50 percent and the China Youth University of Political Studies (CYUPS), which is responsible for training cadres within the CYL system, is expected to further curtail its student enrollment this year. However, the final blow [came to the league came last year](#), when the Central Commission on Disciplinary Inspection (CCDI) stationed a task-force in the CYL to look at problems of corruption and infractions of party discipline. In effect this would mean game over for CYL and full hegemony within the CPC for Xi and the Zhejiang New Army in the year of the tiger.





New Dawn of Kazakh Politics Unlocks New Opportunities

The recent unrest in the Commonwealth of Independent States (CIS) region have been drawing unprecedented global attention over the past few months, driven by political instability in the former Soviet states, such as Ukraine and Kazakhstan. In the current political climate, underdeveloped countries with weak governance have provided a perfect playground for the global powers to compete for world dominance. While hot war in Ukraine follows a decade of instability between Kiev and Moscow, the demonstrations in Kazakhstan in January 2022 against the long-standing autocratic regime came as a surprise to many. Kazakhstan has been widely regarded as the most politically stable jurisdiction in the region since its official separation from the USSR in the 1990s despite its former President Nursultan Nazarbayev's (Nazarbayev) firm hold on power. Kazakhstan has managed to stay afloat due to its dual foreign politics that welcomed lucrative investments from the US and Russia. While its foreign policy has been focused on ensuring a steady influx of funds in the country's most profitable industries, such as energy and mining, the order was maintained by the clear distribution of power that was ensured by [Nazarbayev's decision to pick a successor](#), Kassym-Jomart Tokayev (Tokayev).

However, despite a painless handover in 2019, it appears that Tokayev has finally opted to establish a new independent rule, surrounding himself with power-hungry supporters that wish to take over the former administration. [The power imbalance created a power struggle](#) between the stakeholders, instigating an internal battle for influence and control over Kazakhstan's most profitable industries. [Tokayev's actions during the January demonstrations](#) resulted in Nazarbayev and his close circle, comprising of family members and long-term loyalists, [losing their positions in governmental institutions](#) and state-owned companies. While Nazarbayev's family continues to retain great wealth (i.e., his middle daughter Dinara Kulibayeva and her husband Timur Kulibayev have a

joint net worth of over USD 6 billion), they have officially lost a substantial source of income. Meanwhile, the newly-established elite includes primarily the individuals that worked closely with Tokayev in the Foreign Ministry and the Senate over the past two decades. They include the current parliament representative of the president, [Beibit Isabaev](#), the head of the presidential office, Nurlan Onzhanov, deputy head of the presidential administration for foreign policy, Murat Nurtleuov, among others.

While Tokayev is yet to secure his long-term position, it is likely that his close associates will gain substantial wealth during his rule, creating a fresh pool of affluent individuals willing to redistribute the newly acquired power and, most importantly, funds. This creates an excellent opportunity for Western investors and foreign banks as they will suddenly gain a whole new set of oligarchs that could become potential partners and clients. It might be yet too early to predict who will make it into Tokayev's inner circle, as it takes approximately a year or two for everything to settle into place. However, it is without a doubt that the recent events will ensure a new wave of profitable prospects for those who quickly recognize the potential of the current situation in the country.

However, due to the closely connected nature of the Russian and Kazakh economies, [Nur-Sultan is preparing](#) for prolonged economic downturns as a result of the sanctions regimes against Russia. While many observers have noted the economic consequences for the Russian society, the economies of Eurasia will likely suffer as well. While January ushered in a new dawn for Kazakhstan, the hope in Nur-Sultan is that the Kremlin did not cut the day short.