

China, Russia and the Battle for Eurasia | Ryan Perkins

The great powers are leaving Europe behind. The USA, China and Russia are all focusing on the new heartland of the 21st century: Central Asia. Ryan Perkins joins Pascal to examine competing transport corridors across Eurasia, from the US-backed TRIPP route to Russia's proposed Eurasia Canal. They discuss Chinese infrastructure financing, the evolution of the Belt and Road Initiative, and the strategic partnership between Moscow and Beijing. The conversation explores financialization, industrial capacity, digital sovereignty, and China's approach to international relations. Perkins also presents his interpretation of the Iran conflict and argues that disruption around Hormuz can serve as economic pressure on China's development. Ryan's Links: Substack: <https://ceinewsletter.substack.com> X: <https://x.com/ChinaIndicator> Global Economic Indicator: <https://globeconomicindicator.com> The Contest for the Caucasus: TRIPP and the Eurasia Canal: <https://ceinewsletter.substack.com/p/the-contest-for-the-caucasus-tripp> The ECB Maps the Trap, Cracks Form and Bessent Slips Up: <https://globeconomicindicator.com/the-ecb-maps-the-trap-cracks-form-and-bessent-slips-up/> Neutrality Studies Links: Neutrality Studies Substack: <https://pascallottaz.substack.com> Support Neutrality Studies: <https://neutralitystudies.com/donate> Neutrality Studies shop: <https://neutralitystudies.com/shop> Time Stamps 00:00 Ryan Perkins and the contest for the Caucasus 07:06 Building the Eurasia Canal: engineering and trade 17:04 China's Belt and Road and reserve strategy 24:35 China and Russia: partnership without alliance 33:05 Financialization and the loss of industrial capacity 40:46 Digital sovereignty and China's global approach 46:46 China, the Philippines and regional tensions 50:13 Iran, Hormuz and economic pressure on China

#Pascal

Welcome back, everybody, to Neutrality Studies. Today, for the first time, with a good colleague who I met for the first time in Pskov, Russia, when we were together at the same conference. It's Mr. Ryan Perkins, a geopolitical analyst based in Beijing, China. Ryan, welcome.

#Ryan Perkins

Thank you very much. Thanks very much for having me.

#Pascal

Thank you for coming online. You've already talked to Alexander Mercouris, and we all enjoyed very much your observations about China and Russia at the forum, and that was quite insightful. So I wanted to have you back. And you actually just wrote an article on your own Substack. Everybody,

you can subscribe to Orion on Substack. And the article is actually called "The Contest for the Caucasus Trip and the Eurasian Canal." Let's start with this one, and then we go into Chinese-Russian relations a little bit later. What exactly are the observations in here?

#Ryan Perkins

So I was recently at the Far Eastern Economic Forum in Vladivostok, and this story came out of a number of rumors and proposals that were floating around there. And it's actually very interesting to see. You can view, I think, this contest for the Caucasus very much as an extension of the other wars that are currently waging across the Eurasian continent. So you have the conflict in Ukraine and the conflict in West Asia with Iran, U.S.-Iran conflict. And in many ways, you can view this contest that's emerging in the Caucasus as an extension of that. So the TRIP proposal, which is the Trump Route for International Peace and Prosperity, grew out of the peace summit between Armenia and Azerbaijan last year, in September of last year in Washington. And this was a proposal to build a multimodal transport corridor.

So it's a rail and road link with digital infrastructure connecting the Black Sea to the Caspian Sea, running primarily through Armenia and Azerbaijan. And essentially, that will create a corridor that will run from the European Union through Turkey and then on through the Caucasus. And obviously, this is clearly aimed at trying to reorient the Caucasus region away from the kind of traditional sphere of influence of Russia and Iran. And you can view it very much as a way of putting a U.S. presence directly in between Russia and Iran. When I was at the Far Eastern Economic Forum, there was clearly quite a lot of concern about this from certainly the Russians. And what we saw was the revival of really a Soviet-era proposal, which is to build a maritime route from the Sea of Azov to the Caspian Sea that would run directly through Russian territory. And you can view that really, I think, as a direct countermove to this U.S.-backed proposal.

#Pascal

Yeah, maybe just very briefly, for the geography of the place, right? I mean, we've got Azerbaijan, Armenia, and Georgia here that are the three Southern Caucasus states. But then the Northern Caucasus is, of course, entirely Russian. And so the TRIPP corridor, what people in Georgia sometimes refer to as the Zangezur corridor, would connect Azerbaijan via Armenia, and actually TRIPP would connect it down here right at the border to Iran. Right, right at that border.

#Ryan Perkins

It's literally putting U.S. infrastructure directly north of the Iranian border. And the Iranians have been very, very vocal about this. And they've said, you know, this essentially is a form of geopolitical strangulation. And interestingly, they said that even before the war started in February. So they're

very, very concerned about it. And they've actually said that they will close it down, even if the Russians don't. They've said whether or not the Russians back us in this, we will do whatever's in their power to try and stop this from happening.

#Pascal

It would really only be this stretch over here, right? Because these are two parts of Armenia, two parts of Azerbaijan. But the whole proposal is to make that land basically one long stretch of a U.S. military base, right?

#Ryan Perkins

Basically, yes.

#Pascal

And then the remaining proposal goes up here through the north, right? Yes.

#Ryan Perkins

That's right, yeah. It goes entirely through Russian territory.

#Pascal

And you said this is a proposal of an earlier idea, right? I mean, that came out of the Soviet era, you said?

#Ryan Perkins

Yes, there was a Soviet proposal in the 1950s. So some of the infrastructure is already there, but it needs to be greatly developed. And I think at the moment, one of the big stumbling blocks for the Russians is funding. And I think in those terms, they're very much looking at trying to get Chinese funding, because obviously the Chinese have been spending a huge amount of money on programs similar to this. And they also have a huge amount of expertise in, you know, massive infrastructure projects. So it's a relatively new revival. But then, of course, the TRIPP proposal is quite new as well. That only came out in September of last year.

But, yeah, they're trying to move ahead with it. Interestingly, the Eurasia Canal project is one of two projects that they were actually looking at. And the other is another canal project, which would be extending the Volga-Don project. So at the moment, there's actually a canal that connects the Volga and the Don, but it's very, very—it's very small, and it's not in very good state. So there's two proposals on the table. But at the moment, I think the Eurasia Canal is the one that really has the most momentum. And that's the one that was being discussed at the Far East Economic Forum.

#Pascal

And how were the discussions about that? Like, what's the feasibility of it? I have no idea about the terrain. I mean, what do you need to do in order to build such a long canal? I mean, even the—you know, this canal would probably be longer than the one connecting the Pacific and the Atlantic in the Americas. I mean, this would be a major project.

#Ryan Perkins

So it's about 700 kilometers that the canal needs to... 700 kilometers of Russian territory that the canal needs to pass through. And it's the Kuma-Manych Basin that it would be passing through. It's not an enormous canal project. I mean, it's not an enormous canal project in terms of some of the bigger canals, because at the moment they're looking at two different proposals. One would be to allow ships of up to 10,000 tonnes to pass. There is a more ambitious proposal on the table where they're looking at 26,000 tonnes. Most likely, I think it would be the 10,000-ton proposal. But the biggest problem is that the Caspian Sea is quite a few meters lower than the Sea of Azov because the Caspian Sea has been shrinking for quite a few years. So... the major engineering project would be putting in locks that would allow the ships to pass up and down. But one of the points they're using to promote it is that it would actually divert water into the Caspian Sea and raise the sea level.

#Pascal

Really replenishing the Caspian Sea is a nice side benefit. Yeah. Hey, just a very quick note: the best way to support this channel is by signing up for my free Substack. You can also help with a paid subscription there, or you can get some of our new merch on NeutralityStudies.com. Links below. See you there. What kind of new trade would that allow for if it happened? I mean, that's not already possible at the moment, because, like, oil and so on is being transported through pipelines. There is road traffic, of course. What would be the big advantage of such a canal?

#Ryan Perkins

One of the keys to this is opening up some of the Caspian trade. A maritime canal, if it ran through Russian territory, would essentially help consolidate Russian control over maritime traffic in the Caspian Sea. But really, one of the factors pushing for the TITR route is the European Union. So the European Union have already promised to mobilize 200 billion euros in funding for the TITR route as a way of opening up a route from the EU into the Caspian, primarily looking at Kazakhstan. And Kazakhstan has kind of been hedging its bets a little bit because it doesn't want to commit entirely to the TITR. So it's also been tentatively showing a lot of interest in the Russian route as well.

#Pascal

I mean, for Kazakhstan, Turkmenistan, this should make evident sense, right? It would mean that both Turkmenistan and Kazakhstan would then, by way of the Bosphorus, also have a direct route into the Mediterranean and the Atlantic, right? I mean, that would, for both, be huge. So, on Russia, I mean, Russia already has the Baltic access, of course, but so basically another huge trade route for all three of them, huh?

#Ryan Perkins

The first time that this project was really revived was actually by Kazakhstan in 2007. And they were pushing quite hard for it in 2007. But then it kind of disappeared for a while. And it wasn't until after September of last year, when the Trump administration began talking about the TITR route, that Russia began to revive interest in this route.

#Pascal

But in this sense, you know, the TITR route would be just the overland corridor. That would just be like, okay, at best, you would have trucks on the highway, right?

#Ryan Perkins

No, it's multimodal. It's multimodal, so that means that you have this rail route and a road route, but it's also a digital infrastructure highway as well, which essentially means just putting U.S. military monitoring stations across the northern Iranian border, right? Yeah, and then on each end of that, we also have port facilities as well.

#Pascal

Yep, yep, port facilities. Sure, port facilities, but it would still mean loading and unloading ships, right? Whereas a canal would mean that ships can directly pass through. I mean, in terms of economic viability, let's say, just how cheaply you then can transport goods. I mean, a canal would allow for goods to be transported much, much more cheaply, wouldn't it?

#Ryan Perkins

It would. Obviously, moving everything by sea is much, much cheaper. But then the problem is the size of the vessels. So a multimodal hub, it's one of those things, it's like swings and roundabouts. So obviously, it's more convenient for ships to pass straight through, but it's the size of the vessels that would limit the capacity. No, no, I was just going to say, I personally, I'm personally very skeptical about the success of the Trump route, simply because I think Western countries nowadays have a very poor reputation at infrastructure projects and actually just mobilizing people.

The kind of organization that's necessary to pull this kind of thing off, and also mobilizing the capital, because Western capital markets are so governed by these very, very short-term horizons that it's very difficult to actually mobilize the capital to invest in these kinds of projects. Whereas I think if the Russians are able to convince the Chinese to invest in it, then it is a project that will definitely happen because the Chinese are so good at these kinds of infrastructure projects.

#Pascal

Shouldn't the Chinese be very interested in this, since it would kind of play into their One Belt, One Road initiative? And secondly, are there any concerns in Russia? Because, you know, if you build such a canal, you're basically building a man-made geographical boundary to the rest of your territory. And actually, that Northern Caucasus territory is not that famous for being historically stable over time. I mean, you're basically building a little river, right, that cuts one part of your territory off from the rest. That's actually something the Thais are thinking about, because they're also thinking of building a bypass in their most narrow part of the country to the Strait of Malacca. But one of the reasons not to do that is actually because the southern territories are kind of prone to secessionism. So that's one thing that's really going through their minds when they think about such kind of projects.

#Ryan Perkins

That's a good question, actually. It's something that I haven't looked into. I suspect it's not as big a concern in a country like Russia, partly because the Soviet Union had such a long and kind of storied history of these large-scale infrastructure projects. And I think both of the proposals that the Russians are thinking about at the moment—you have the Eurasian Canal and the Volga-Don too—both of them build on infrastructure that already has some kind of foundation in those areas. So I think that's less of a concern for the Russians. And I think the Russians are—I think the sort of issues that Russia had with ethnic separatism in the '90s.

I think they kind of see that as fortunately behind them at the moment. So I don't think that's too much of a problem. There are other problems with the TRIPP route, though, which was announced when Armenia and Azerbaijan initialed the provisional peace agreement in September. But they haven't actually signed a full peace agreement yet as of today. And there's still issues there because Azerbaijan is demanding constitutional amendments to the Armenian constitution based on territorial claims. And so, I don't think it's going to progress much further until they can actually kind of get over that hurdle.

#Pascal

Yeah, let's not forget, it would still need to pass also the Armenian parliament, although, you know, most likely it would, because Armenia at the moment is also moving toward, let's call it, a managed

democracy. But back to China, what do you think are the prospects of China backing this? And how would it play into the One Belt, One Road initiative?

#Ryan Perkins

Yeah, there's been a lot of modification to the One Belt, One Road policy, certainly in the last five or six years. Yeah, so it started off extremely ambitiously. And in the beginning, it was seen as a kind of alternative to simply recycling Chinese U.S. dollar reserves back into the U.S. Treasury system. So from about 2013 onwards, we saw these huge loans.

#Pascal

They wanted to make use of their U.S. dollar reserves without buying all the stuff from the United States. So why not have huge infrastructure projects and then pay everybody in USD? That didn't go to plan, mind you. Thank you.

#Ryan Perkins

Yeah, so they started to become concerned that they were essentially overexposed to a single financial counterparty by recycling all of these reserves back into U.S. Treasuries. And so they looked for some kind of project that would suit both their own ends and also find some kind of outlet for this huge surplus of U.S. dollars that they were accumulating. And out of that came the idea of the Belt and Road Initiative. And on the one hand, it gives them some kind of vehicle in which they can invest these huge dollar reserves. And on the other, it also helps to build the infrastructure that China needs to prevent it being kind of isolated and militarily encircled. So if, for instance, some of its trade routes are blockaded, it would have alternative routes to move its trade. But it also provided opportunities for Chinese construction firms to actually provide the expertise and the work to build these infrastructure projects.

Where you start seeing this run into problems was kind of early 2020s, where some of the lending to, shall we say, somewhat fragile states became problematic. And China found itself entangled in a number of kind of sovereign debt restructuring programs that it doesn't really want to be involved in. And that also meant that it was kind of getting questionable returns on these loans in the first place. What's really interesting is that the West used this as a kind of propaganda vehicle to accuse China of predatory lending. And when you look at—if you pick any of the countries in the Belt and Road Initiative, the weight and the burden of these Chinese loans and the flexibility of them doesn't compare even remotely to anything that they had from the World Bank or the IMF or even the Asian Development Bank.

Sri Lanka, I think, is one of the ones that's always used as a kind of case study of Chinese debt-trap diplomacy. And when you look at the structure of Sri Lankan debt, I mean, a tiny percentage of it was Chinese, and the Chinese were incredibly flexible. And a lot of the money that the Chinese

actually lent to Sri Lanka, the Sri Lankans used to pay back IMF loans because the Chinese lent it on lower interest and more flexible terms. So, yeah, so they started to kind of pull back from that in the early 2020s. And then, of course, the war in Iran— the war in Ukraine broke out, and the U.S. and the EU seized the Russian assets.

And that was when the Chinese began to really start to question the efficacy of keeping all of their dollars in U.S. dollars. So we've seen another transition there. So really, this third phase of Chinese reserve management is in the stockpiling of huge quantities of minerals, which it's been doing on a kind of accelerating basis since about 2022. And what you see is China's been buying huge, huge quantities of copper, tin, aluminium, gold, silver, and stockpiling it as a way to, one, safely keep its reserves in the country, and two, as another way of kind of insulating its industrial supply chains.

So these loans—these Belt and Road Initiative loans—they're still happening, but they're happening on a much smaller basis. And they've kind of been reoriented towards green energy and kind of sustainable development loans. So it's kind of moved away from these huge infrastructure projects. But I feel certain it is something the Russians could convince the Chinese to invest in, particularly because it would be a feasible project for the Chinese to invest RMB in, because they would be supplying so much of the... It wouldn't necessarily need to be U.S. dollar financing. It could do it through Chinese RMB financing because so much of the expertise, the labor, and the technology to do it would be coming from China anyway.

#Pascal

Yeah, yeah. No, and it would make sense, especially now that all the energy trade, like oil and gas, is increasing, right? And I have no idea how they are structured. But since this is ruble and RMB denominated, or must be, I mean, there's probably—there would be a logic behind trying to have other projects where you can invest certain outcomes of that kind of trade as well. So did you hear anything from China if this is seriously being considered right now? Have they been asked about it?

#Ryan Perkins

No, I haven't heard anything about it as yet. As I said, I was at the Far Eastern Economic Forum at the start of this month. And we have a large national holiday at the moment in China, so it was difficult to get things done before that. I will be at a couple of conferences and forums immediately after the National Day holidays. So I'm hopefully going to be able to get some more information on whether or not the Russians have kind of formally approached the Chinese. But I imagine they probably have.

#Pascal

Let's talk a little bit more generally about your observations on Russian-Chinese relationships. I was in Istanbul just last week at a conference, and we also had Chinese colleagues speaking there. And I

think it was there that one of them actually reiterated the point that I think the Chinese have made several times. Politicians and geopolitical analysts, when asked questions, "Are China and Russia an alliance?" And they keep saying, like, "No, we're not an alliance. This is a partnership. China and Russia are like two lines that run in parallel to each other. They're facing the same direction, but they will never meet." It's the point they want to make, however far you extend that. And I found that a very interesting metaphor. What is your observation?

#Ryan Perkins

I mean, the official line is that it is not an alliance, but it's a strategic partnership. But it's a very strong strategic partnership. When you look at the relationship between Xi Jinping and Vladimir Putin, how often they meet each other, how often they keep each other updated on movements and developments, I can't think of any other two major world leaders that meet each other quite so often and communicate quite as much as those two. But the China-Russia relationship has always been—it's never been as bad as it's been portrayed.

I mean, yes, there was a short period, you know, a few decades when it wasn't good, but it wasn't really awful during that time as well. I mean, there were some border disputes and things were a bit frosty, but generally, China and Russia had a very long history of being very, very good neighbors. And now, I think certainly if you talk to ordinary Chinese people, they have an extremely high opinion of Russia, and that's really a product of this strategic relationship. And the same in China. If you go beyond the sort of geopolitical aspects and you look on the ground and you talk to people, there's a huge amount of cultural exchange going on. If you go to St. Petersburg, if you go to the universities in St. Petersburg and in Moscow, they're full of Chinese students. If you go to the universities here in Beijing, they're full of Russian students.

And you meet more and more people in Russia who speak Chinese because they understand the business opportunities. They understand the nature of that kind of economic relationship as well. And militarily, I mean, China couldn't hope for a better neighbor because Russia provides that strategic depth to China. Without Russia, China could be completely encircled by the United States militarily. And that is not going to happen with Russia on its northern border, with Russia providing this enormous layered air defense system, its strategic nuclear weapons, its defense of the Arctic. I mean, it provides just such an enormous military strategic resource for China, just having Russia there on its border. So I can't think of any other relationship in the world that's more important than the China-Russia relationship.

#Pascal

No, this makes perfect sense. And also, if you look at all of the increased trade and the way that they're trying to open new routes between each other. Although one must say, I mean, that's also something the Chinese colleagues point out: the projects that are being implemented, they are always negotiated. I mean, it's never an easy thing. I mean, it always takes years to negotiate

things, even like oil infrastructure and so on. Yeah, so it's not that they gift each other stuff. They do negotiate about it. But once it's laid out, it then starts working. And I think they don't try to backstab each other. That's probably one of the things that you're never sure with when you do a deal with the West: when is the knife going to land somewhere in your shoulder blades?

#Ryan Perkins

Yeah. So I think, as you just said, I think what you've just said is the sign of a really healthy relationship. In the West, the Western media like to portray the fact that, you know, they have negotiations as signs of a rift or signs of a, you know—and it's like, that's the sign that it's actually a partnership, that it's a balanced partnership. If there weren't any negotiations, I think that would be a sign of a major kind of power asymmetry. But the fact that they do have these longstanding negotiations, that's a sign that they are politically relatively balanced. But it's also a sign of the fact that these are enormous organizations involved.

You know, there are enormous organizations involved with their own interests, with their own internal power structures, and their own CEOs and their own leaders who have their own motivations. So, yeah, I wouldn't see that as a problem. I wouldn't see that as a problem. I'd see that as probably a sign of a relatively healthy relationship. They have these long negotiations, they work out what they want, but after they work it out, it does actually happen, which is in really stark contrast to what happens in the West, because you have these long negotiations, something's decided, and then nothing happens. I mean, TRIPP, let's go back to TRIPP, right? It was announced overnight, basically. Donald Trump talked to Aliyev and—what's the other guy's name? Um, I don't know what you mean.

#Pascal

Yeah, they're meeting the Azerbaijani president: look, this is what's going to happen. Here it is. Sign it now. They do so. Trump says, like, big breakthrough after decades of war. I did that. Boom. Here it is. And then, yeah, of course, it stands still because, yeah, you haven't done any of the on-the-ground work and talked to any of the actual stakeholders involved whose buy-in you still need, even if you're the United States of America. So that's the kind of thing that the Russian-Chinese model tries to avoid, I suppose.

#Ryan Perkins

That's right. They put in the groundwork. It's very interesting when you look at the way that the Chinese do things compared to the West. It's almost the exact opposite, generally. There's an enormous amount of work and research and studies that go on before anything's announced. And then after it's announced, things happen very, very quickly. But I think in the West, the Western sort of work model is very different. The announcement comes first, and then afterwards comes the process of kind of ironing out all of the formalities.

#Pascal

Yeah, and you see that also in the EU, right? A lot of these projects are then approached basically with a PR mindset, right? Now we announced the intention, and now we need to sell the idea, and then we just do a lot of announcements about it and throw money at it. But it's not this kind of, oh, let's go on the ground and then try to actually have the negotiations before we try to make a fool out of ourselves. Sorry, I'm going a little bit far here.

#Ryan Perkins

No, no, no. I think you're right. I think there's a lot to that. And I think a lot of it is simply about mobilizing the money before anything. You know, the key thing is to mobilize the money first. And so the announcement comes, which brings in some of the funding. And then the assumption is, with the funding, they'll be able to get the rest of it. But I think certainly in countries like Russia and China, that's not really their sort of main consideration, because they know that the funds can be mobilized once the project is approved.

#Pascal

What is your overall assessment, you know, to one of the starkest problems I think the United States, but also Europe, have, which is that over the last 20 to 30 years, they deindustrialized so much and actually lost some of the capacity of building megaprojects? I mean, they financialized their economy so hard that, yes, they make trillions of dollars in their economies, but not necessarily with infrastructure projects. And you actually can see, especially in North America, how infrastructure is being degraded at the moment or just not fixed. Whereas China and Russia, to me, seem to be, like, on top of their game when it comes to what they're able to build.

#Ryan Perkins

When you begin... I've written so much about this. I've really written an enormous amount about this particular topic in general. So I think... How can I put this? The process of financialization is less of a conscious process than something that happens when you are in a particular kind of financial environment. So this is something that happened to Britain at the end of the 19th century. It's something that the United States went through quite aggressively in the 1970s, 80s, and 90s. And it's also something that's happening and, you know, an ongoing process that's happening in Germany.

Really, since reunification, although rapidly accelerating after the introduction of the euro, and then very, very recently with the change in all of the energy structure. And if you manage capital, if your job is the allocation of capital, when you move into this kind of transnational capital environment, your priorities have to change. The way in which you allocate funds changes. It no longer functions

in the way that the people who run industries need it to function. So when you move into this kind of transnational capital environment, you have to operate on a different time horizon.

You no longer have the patience to wait for the kind of returns that you get from investing in industry and technology. You require much greater liquidity, which you can't get if you invest in something like a huge car factory or something like that. You need assets that can be liquidated quickly. You need to be mobile. You need quicker returns, and those requirements are incompatible with the requirements of industry. And so, in every case, whether that's Britain in the late 19th century, Russia—sorry, the United States at the end of the 20th century, Germany in the 21st century, what you see is there's usually a long period of kind of technological stagnation, when the industries become less and less competitive. And you see less and less kind of, like, big companies' technological breakthroughs, very apparent with German cars over the last 10, 15 years.

They look very, very outdated now in Beijing. They look very old. There's this long period of stagnation and then a sudden collapse in the industrial base. Happened in the United States from about 1965 to about 1975, Britain, end of the 19th century. And it's kind of just inevitable when you transition into that world. Germany started that transition immediately after reunification by liquidating all of the former socialist enterprises in the East. Then you see it accelerate with the Balkan Wars, and then, of course, with the introduction of the euro, where German capital suddenly realizes that it can make a lot more money by simply moving money around the eurozone than it can by employing very high-wage German engineers. So, yeah. Sorry, I probably went a bit off your question there.

#Pascal

No, no, no. This is exactly what I was wondering about, and why it is that others don't do that. And maybe your opinion, because in my observation, Japan is actually not following in those footsteps. I mean, they do a lot of similar mistakes as the West, but I think when it comes to financialization and the undermining of their own industrial capacity, I just don't see Japan following that one, at least not yet. But maybe you have a different view on that.

#Ryan Perkins

Well, it's—Germany—sorry, Japan exports an enormous amount of capital, and we're seeing that with the unwind of the carry trade that started kind of at the beginning of this year. One of the sort of differences is that, I mean, Japan has—since really the end of the 1980s into the 1990s—been exporting huge amounts of capital, but it's primarily exporting it to the United States.

#Pascal

Yep.

#Ryan Perkins

So it is in a slightly different position from Germany. If you look at Germany, I would say Germany is increasingly moving to fulfill a role within the eurozone similar to the role that the United States plays within the dollar zone. Japan, I think, is slightly different because Japan primarily exports a sort of financial subsidy to the U.S. financial system.

#Pascal

True, true. What I meant is more that Japan, in my view, retains much of its productive capacity. It didn't lose that much. I mean, also the car sector is actually okay. It's not world number one anymore, but still the cars are being manufactured, and they're actually, you know, not necessarily inside Japan. They outsourced a lot to other countries, but they maintain the ability to do so. And actually, a couple of industries are now slowly coming back with the onshoring, friend-shoring initiative of the Americans, which is something that I don't see when I talk to German colleagues.

Actually, I talk to people on this channel who are telling me, look, the number one advice is, leave Germany. Leave Germany now, because it's rotting, and the business environment for the real economy is actually horrendous. Whereas in Japan, I don't see that kind of movement, at least not yet. And when I look at China, it's just the ability of the state to produce basically anything under the sun, including modern LLMs and now lithography. It's just incredible that they cracked the lithography game as well. Maybe you could speak a little bit to the actual capacities of these different states that they have.

#Ryan Perkins

I think one of the interesting things to look at is Europe, because Russia, if you go to Russia, which I know you've been there quite a few times, Russia has an analog of all of the U.S. tech monopolies, whether that's Amazon—Russia has an analog of each of those, as does China. China doesn't just have an analog; China has multiple analogs of each of those tech monopolies. And then you go to Europe, and there's nothing, which is really surprising. Europe has no indigenous social media company. It has no indigenous e-commerce providers. It uses U.S. taxi apps. And I think in that way, you can see the extent to which Europe has been very, very much integrated within the dollar sphere. Yeah, and nowadays, I think digital sovereignty is sovereignty. So if you don't have any of that infrastructure, it's very difficult to kind of maintain any independence from the United States.

#Pascal

That is absolutely true. And also the capacity then to, you know, to interact with these other sovereign jurisdictions. One of the things that I find interesting in Japan at the moment is the proliferation, actually, of Chinese payment apps. Alipay and WeChat Pay are spreading wide and far over here right now, which is something I haven't seen in Europe very much yet.

#Ryan Perkins

No, I haven't seen that in Europe very much. And I think part of the reason that you see it in Japan is simply because there are so many Chinese tourists. And the Chinese are so accustomed to using those payment apps now that any country that really values Chinese tourism will introduce them.

#Pascal

Yeah, and also Chinese students, by the way. Kyoto University has a lot of them. So that's a very good thing, just as Chinese students go to Russia and to other places, also to Japan. And businesses, in fact, more and more, especially small shops like tea shops and restaurants, and especially bubble tea. What do you think this now does in terms of the ability of China to also kind of, you know—China could throw its weight around much more than it currently does, but it doesn't. It actually still basically operates very much, in my view, on an offer basis, right? It doesn't try anything even remotely close to what the United States is doing with its tariff threats and the European Union with its constant berating: you have to do A, B, C, D, or you are an evil country. The Chinese just don't do that. How is the Chinese way of doing business actually now impacting its environment—not just China, but let's say also Southeast Asia and Africa? What are your observations?

#Ryan Perkins

I think a lot of the—when you listen to a lot of the kind of multipolar commentary in the West, people are always complaining that China doesn't do more. And I think one of the things that people, particularly in that camp, don't understand is that I don't think China has a particularly multipolar view of the future. China is really quite explicit about what it wants, about the world that it would like to see. And it's less a multipolar world and more a multilateral world, a multilateral world of nations with equal rights and standing. And it views the kind of UN—or it has a sort of idealized view that the UN should ultimately be kind of based on those ideas.

And I think that very much shapes the way the Chinese businesses and the Chinese state as well interact with the world. They are very much constrained by that sort of vision. And that vision comes very much from the top. It comes from the leadership. They're ideologically opposed to kind of exerting pressure on other nations. And I think that in the kind of multipolar camp, particularly in the West, that's viewed as kind of a hesitancy to get involved, or it's viewed as sort of weakness. I don't think it is. I think China understands that if it wants to try and build a world like that, which is its goal, then it has to start kind of doing that today.

And it has to start by not... by not interfering and not kind of exerting too much influence. Because it could clearly—it clearly has the ability, and it has the financial ability, and it has the kind of political ability to be much more assertive on the world stage, not just to help, you know, other countries,

but also to assert its own will around the world. And you don't see it. And it's not weakness. It's essentially part of this worldview that they have, that if they want to build a multilateral world of equal partnerships, then it has to start now. And it has to start by doing it itself. So I think that explains some of that.

#Pascal

It does, it does. The one thing that still puzzles me, of all of the different theaters, is actually the Chinese-Filipino relationship, especially that that relationship didn't improve drastically during the Duterte years, when Rodrigo Duterte really, I think, tried very, very hard to appease China. And it kind of didn't lead to a, let's say, demilitarization of the East China Sea, as I think the Philippines had hoped. What are your observations on that one? Because when it comes to Southeast Asia, you know, the states that China has the most, I think, difficult relationships with, although to varying degrees, are the Philippines on one hand and Vietnam on the other. With both of them, they go sometimes head to head. Why does that still seem to be such an intricate part of Chinese foreign policy?

#Ryan Perkins

Yeah. I mean, the Chinese rightly see the Philippines essentially as a colonial possession of the United States, which effectively it still is. And it nominally gained independence, but it's never really actually exercised any real independence whatsoever. And I think the Chinese understand that, and they understand that it is being used as the kind of tip of the spear to sort of test Chinese sovereignty in that region. But I think the Chinese have been remarkably restrained. If you look at the sort of military asymmetry between these two countries, the fact that China hasn't asserted itself more is really kind of testament to China's restraint in that region. Because if China wanted to, I mean, it could quite easily assert itself very decisively. No, it could.

#Pascal

My question is rather, why does China not try to do a charm offensive, you know, toward the Philippines, but also Vietnam? I mean, I see why Taiwan is a completely other issue, so we can leave that one aside. But especially the Philippines, why not just try to sway them with money and sway them with, like, okay, these fishing grounds, you do your thing in these fishing grounds, be happy and prosperous? Why the, to me, untypical confrontational approach, looking at how they do politics outside and in the other realm? Yeah.

#Ryan Perkins

So from the Chinese front, every action from the Chinese perspective, every action on the Chinese side has been a reaction to an infringement that was initiated from the Philippine side. Okay.

#Pascal

At some point, I need to organize a panel on this one, because it's this one thing where I think if the Philippines and China had a good relationship with each other, I mean, you would make... Well, the fundamental problem...

#Ryan Perkins

The big problem is that the Philippines is not a sovereign country. It is essentially an economic appendage of the United States. It is a colony, and it has remained a colony since 1953, since, again, sort of nominal independence.

#Pascal

And just maybe in the last five, six, seven minutes, what are your expectations of how the Chinese are going to try now to engage this new environment where we have, in fact, you know, NATO was tested and partially, to a good part, failed in Ukraine, and the United States tested again its capacity of power projection in Iran and at least didn't succeed yet. Did you see on the ground any kind of impact on, like, China's psyche or how they perceive the world, like the hard-power world of 2026?

#Ryan Perkins

I mean, the Chinese are very, very pragmatic, very, very pragmatic people. And when you listen to their geopolitical analysis from their think tanks, I wrote a piece at the start of the Iran war about what the Chinese geopolitical analysts were saying about the Iran war. It was very interesting because there was a general consensus where they compared it very much to the Iraq War. And they said the Iraq War was, again, as the Iran war is, ultimately aimed at China. It was part of an economic containment strategy aimed at China, the global war on terror. And quite a few of the analysts said that the global war on terror, due to U.S. military and political miscalculation, essentially bought China almost a decade of peace and economic stability.

By miscalculating and getting militarily bogged down in Iraq and Afghanistan for the first 10 years of the 21st century, that bought China 10 years of peace and prosperity. It was 10 years when the United States was not able to focus on China. And at the start of the Iran war, this is what they were saying. And they were saying that they suspected that this, or they hoped, or they suspected that this was also another U.S. military miscalculation and that it would essentially buy China time to develop itself. I disagree slightly with that. And I personally think that the purpose of the Iran war, I think, is what has actually happened. It has essentially created an enormous economic lever for the United States to increase and decrease the economic pressure and the economic pain for the Global South, BRICS, and for China.

And it's a lever that I think—the purpose of the war is just to create this lever, to put that blockade, to put that stoppage on the Strait of Hormuz in place, and to leave it there and to simply increase and decrease the pressure over the next year, 18 months. I think that was actually the purpose. I think that the regime change was—I mean, don't get me wrong, I think if they had achieved regime change, they would have loved that. But I don't think they ever expected it to be possible. And I think what we're seeing is essentially a U.S. blockade of Hormuz at the moment, or U.S. control over Hormuz. And I think that was actually the goal. I think that was the purpose. I've written about that extensively also.

#Pascal

Something fascinating that happened is that when Hormuz was basically shut off—and the indications are that now a good part of trade is coming through again, actually—but when it was blocked off and when it got really dicey about the availability of oil on the markets, China wound down its oil imports by almost 50 percent. Why? Why did they do that? I mean, that, in my view, helped the United States with the crunch and prevented prices from going up as far as people predicted.

#Ryan Perkins

Why did China do that? It did it in a number of ways. It did it through activating a lot of this kind of renewable energy resources that it has put in place, so it was able to destroy a lot of the demand for oil. But it also has by far the largest strategic petroleum reserve in the world. So there was a mass release of Chinese strategic petroleum reserve. They did it primarily, I think, because they thought the price increase would be relatively temporary, and it has come down now. But I think the U.S. is intending to keep the blockade in place, to keep control over Hormuz in place longer than the Chinese will be able to keep drawing down their strategic petroleum reserve.

We've seen that the Chinese have already started increasing energy imports. So we'll see. But I think Scott Messam has already come out and he said the strait is not—it's never going to go back to the way that it was. And he said in two or three years' time, we won't worry about the strait because we'll have the pipelines in place to bypass it. So in that statement, there's a tacit acknowledgement that this is the new normal, that the U.S. controlling the Straits of Hormuz is essentially the way that it's going to be for at least the foreseeable future. But I think that was always the goal. That was always the objective.

#Pascal

And you don't think that the whole Iranian spiel that they control Hormuz and they are in charge—you think that that's actually not what it is. The long-range blockade is actually more effective than whatever short-range impact the Iranians have.

#Ryan Perkins

When I started writing about this, I did a really exhaustive analysis of the strategic paperwork, the strategic papers on this, and the policy papers. All of the U.S. papers for about the last 20 years, whether that's the Congressional Research Institute, CSIS, RAND, Atlantic Council, U.S. Naval War College. And the consensus was, across almost all of the papers over 20 years, the two things that almost every paper agreed on was: a short, sharp regime change operation won't work. A longer sustained military campaign will not achieve regime change absent a major land force component, which was never, ever going to happen.

And the other point of consensus was, if in the event of such action, Iran will close the Strait of Hormuz. They will close it. Not a tail risk. It's not a black swan event. It's going to happen. Now, if you then go ahead with a strategy like that, you have to assume that that was the objective. The objective was to close the strait. If you know, if 20 years of policy papers are telling you that your regime change operation won't work and that Iran will close the strait, you can only assume that that was the objective, was the operation.

#Pascal

And then when you get it, the only explanation—sorry, sorry—the only explanation is either you're an idiot or you're fooling everybody else. And apparently, your analysis, they're fooling everybody else because closing the strait is what they wanted from the beginning.

#Ryan Perkins

Yes, it's really interesting. If you look on—so I wrote about why, about how this strategy serves U.S. interests. And I wrote about it in April and May and June. And on the 2nd of July, the European Central Bank actually released a paper which mapped exactly what I was saying. It matched perfectly how, and it explains how the closure of the Strait of Hormuz significantly impacts the Chinese economy overall, more than the European economy. The United States economy is almost completely unaffected. I'm writing another paper about it, but I actually published a review of it, I think, last month.

It was published on the 2nd of July, European Central Bank. And it models exactly the data that I modeled at the start of the conflict. And that data was based on a report that I wrote in September of last year, which used what happened during COVID as a case study. So I went through the data, the Chinese economic data from COVID, and you can see what happens when they get a supply chain inflation wave. And it moved through the supply chain, and you can see how it affects the Chinese economy. And I said, if this Hormuz crisis continues, this is what's going to happen again. We're going to see the same thing.

Chinese economy is going to be severely—Chinese manufacturing sector is going to be severely affected. July 2nd, the ECB released a report. It's identical. It's identical to what I said based on the COVID data. Yeah. And they said, essentially, the U.S. economy is most likely to be almost unaffected by a prolonged closure of the Strait of Hormuz. That's from two shock waves. The first wave is the energy, and the second wave is other resources that depend on the strait, which is fertilizer, helium, et cetera, and some other—aluminium as well. So it models the effect of both of those shortages from Hormuz, and it concludes the same as I did.

#Pascal

Congratulations. And very last question, because we have to close the discussion: are the major Chinese think tanks and decision-makers, do you think they're aware of that? Do you think that's how they see it and how they understand what Iran was about?

#Ryan Perkins

I know some of them do. I know some of them do, because I've spoken to them now. Some of them don't. Some of them don't. It's divided. If you look at, for instance—well, I know quite a few of the people, particularly at Renmin University, and they're very divided. Some of them agree with me, and some of them don't. Some of them think that there's—some of them see the recent meeting in Washington much more positively than I do. Some of them see it as an opportunity to avoid a kind of Thucydides trap. I read the meeting in Washington a bit differently.

#Pascal

I don't think the Americans will let anyone escape that trap. I mean, they're pushing everybody right into it. But Brian, thank you so much for that very comprehensive overview. And that was fascinating. People who want to find you, I suppose we should first and foremost send them to your Substack, Brian. Yeah. Anywhere else where people should go?

#Ryan Perkins

Yeah, you can find my work on Twitter as well, which is @ChinaIndicator.

#Pascal

Everybody, find Brian Perkins on Substack and on X. Links will be in the description box below, and we'll do an update.

#Ryan Perkins

Sorry, one more thing. If you're looking for that report that I mentioned on China value-added, that's on the website globaleconomicindicator.com.

#Pascal

globaleconomicindicator.com. I'll try to put a link to that in the description as well. Brian Perkins, thank you so much for your time today.

#Ryan Perkins

Brilliant. Thank you very much.