

Xi and Putin think they're winning — and maybe they are

By Marc Champion

WITH hindsight, the last time Vladimir Putin visited Xi Jinping in China, just three weeks before Russia invaded Ukraine, was a moment of hubris — two supremely confident leaders marking their bid to shake up a world organized by and for the US and its allies. Well, they certainly shook it up, even if not in the way they intended.

Putin's catastrophic error in attempting to invade a neighbor the size of France as though it were a glorified training exercise has, by some estimates, resulted in halving Russia's military strength. The supercar that was China's economy, meanwhile, has sputtered into the slow lane, with forecasts of when it will overtake the US in current dollar terms pushed into the future. So, it's tempting to imagine Xi and an increasingly dependent Putin humbled at their reunion, the sinews of their "unlimited" bond already tearing. But that, to borrow a wonderful phrase from Sarah Paine, a professor of history and grand strategy at the US Naval War College, would be playing "half-court tennis" — the kind where you never see the next ball coming because you aren't paying attention to the other side's game.

Paine says that to understand why China and Russia do what they do, you need to see them for what they are: continental powers in a global order that was organized over centuries by successive maritime powers, first British and then American. The difference is big. Maritime nations ultimately are about trade, and that in turn tends to attract allies and encourage the development of international rules because they enable wealth creation. The territorial wars that a continental world order based

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on spheres of influence implies are, by contrast, huge destroyers of wealth and value. Ukraine is a clear example.

Sea powers do attack and subdue other countries, as the US did in Iraq and the British Empire in its many colonies. They also break the rules when it suits them. Yet the expeditionary wars they fight are necessarily smaller and overseas, taking a far lower toll on lives and wealth at home. Rarely do they conquer territory for its own sake, focusing more on containment and regime change to assert their interests. They also prefer stable to unstable neighbors because failed states tend not to do much trade.

Continental powers, by contrast, care a lot about territory and will, at times, pursue its acquisition to their own economic

detriment. Historically, continental powers also are prone to destabilizing neighbors if they can, either to later absorb them or ensure that no powerful threat emerges on their doorstep. That habitual, sometimes justified and, at other times, self-fulfilling paranoia also weakens their most likely trading partners.

"It's what Putin is doing now" in Ukraine, says Paine, who in her book *The Wars for Asia* describes this process of neighborhood destabilization, followed by conquest and absorption as the Russian Empire's successful MO over a period of centuries. It's possible for a country to change from continental mode to join the maritime order, she says — the US did it — but that must come from within.

China operates a little differently, and with its massive exports

is very deliberately acquiring aspects of a maritime power that Russia hasn't. Yet Xi and Putin are drawn together by an even more potent force than their geopolitical positions: self-preservation.

The Communist Party of China can't afford to have Taiwan remain an offshore model of a successful democracy that creates better outcomes for a mainly Han Chinese population than does the Party. Nor could Putin afford to allow Ukraine to become the European success story that Ukrainians demanded during the so-called Maidan protests of 2014. These priorities are non-negotiable for Putin and Xi, and therefore dangerous. They already led to one war and could produce a second.

Both men believe they are being squeezed by the West, which is trying to contain ambitions they

consider vital interests. Xi and Putin will endure economic opportunity costs and suppress any domestic opposition to achieve them. The result is an emerging form of Cold War that aligns Eurasia's continental powers — including China, Russia, Iran and North Korea — against the US and its allies in Europe and Asia, including Australia, Japan, South Korea, the UK and most of the European Union.

Whether or not Putin gave Xi details of his imminent plans to invade Ukraine at their 2022 meeting, the common goal outlined in their joint statement was clear: the "redistribution of power in the world," an end to US dominance and the redefinition of democracy and human rights as whatever a given government says they are.

For sure, Xi didn't anticipate any more than Putin that Russia's war machine would be humiliated in Ukraine or that the West would respond not by imploding but also uniting and expanding. In the same way, it's doubtful that when the two leaders met in February 2022, Xi expected the current conflagration in the Middle East.

But in terms of a zero-sum geopolitical confrontation with the US, trouble in Ukraine or the Middle East is a win for China. Both draw on US resources and attention. Both upset the status quo. As the US becomes embroiled in Israel's revenge against Hamas in Gaza, its alliances with the Gulf Arab states will be strained, creating opportunities for Xi.

So, just as Putin immediately laid the blame for Hamas' horrific attack on Israeli civilians at the door of the US, China has avoided any public condemnation of Hamas, while criticizing Israel for its collective punishment of Palestinians in response.

By courting the Muslim world in this way, Putin and Xi are doubling down on their success in persuading the so-called Global South that the problem isn't Russian aggression in Ukraine or Hamas' grotesque terrorist acts in Israel, but rather the continued colonialism of the US and Europe. Never mind Russian suppression of Muslim Tatars in occupied Crimea or Chinese internment of Uyghur Muslims in Xinjiang province. The narrative works because the Palestinian injustice, with its colonial overtones and deep history in centuries of struggle over control of the Holy Land, can engage the Arab Street like no other.

So get ready for more tenacious anti-Western messaging from Xi and Putin this week. They may have suffered some economic setbacks, and in Russia's case, military, but when it comes to rallying other nations to their cause, they're making good progress. ■

BLOOMBERG OPINION

On smoking, vaping, consumer choice and life expectancy

NICE, France — The issue of tobacco and vape control, taxation and illicit trade is among the topics in the Tholos Forum 2023 here. And these two recent reports in *BusinessWorld* caught my attention: "High tobacco taxes encourage smuggling, economist says" (Oct. 12) and "PHL to lose P60B from illicit tobacco" (Oct. 18).

The economist referred to in the first story is Alyssamae A. Nuñez, an Economics lecturer at the University of Asia and the Pacific. The figure of P60 billion/year of tax revenue losses from illicit and smuggled cigarettes came from Congressman Joey Salceda, Chairman of the House Committee on Ways and Means. In March 2021, Mr. Salceda's estimate was P30 billion/year of foregone revenues from illicit tobacco. In just two years he has doubled his estimate of tax losses.

I have also written in this column several times on illicit tobacco and revenue losses, most recently in May, "The Laffer Curve of Philippine tobacco

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taxation," and June, "The law of diminishing marginal utility and public policy."

People in general are rational. They slowly step back from consuming more tobacco, alcohol, sugar, fatty food, and drinks as they learn more about the harmful effects of high consumption of these products. (Some, however, are hooked and pursue it even while understanding the consequences to their health.) They also step back from legal products when these become more expensive due to rising taxes and they shift to illegal products where prices are much lower than the legal ones.

I put together a table about smoking prevalence and life expectancy. Group A is made up of G7 industrial countries,

and Group B is made up of the ASEAN-6 countries. Data from the World Bank shows there was a continued decline in smoking prevalence from 2000 to 2020. In the Philippines for instance, 35% of adults were tobacco users in 2000, and this declined to 23% by 2020. But note that these percentages refer to the consumption of legal tobacco and do not include illegal tobacco.

And even if 15% to 33% of adults are smokers in the G7, and 22% to 38% of adults in the ASEAN are smokers, life expectancy keeps rising across many countries. The narrative "more smoking, more drinking = more death" is not really confirmed (see Table 1).

As tobacco and alcohol tax rates keep rising, consumption shifts from legal and taxed products to illegal and untaxed products. And this will have a negative effect not only on government revenues but more importantly on the culture of corruption in government. Smugglers and criminal groups pay off officials

from the national down to the barangay level so that they look the other way when the contraband and smuggled products come in and are sold openly.

On Day 2 of the Tholos Forum 2023 here in Nice, France, one panel discussion yesterday was on "Harm Reduction and Consumer Freedom" and the speakers were Anders Ydstedt, Chairman of *Svensk Tidsskrift*, a weekly journal of economics, politics and culture in Sweden; Yuya Watase, Chairman of the Pacific Alliance Institute, a free market think tank in Japan; Luis Loria of IDEASLab, a think tank in Costa Rica; and Leonardo Chagas of Atlantos, a think tank in Brazil. The moderator was Tim Andrews of Tholos.

Ydstedt and Watase produced a paper, "Safer Nicotine Works: The Cases of Japan and Sweden," and they showed this table (Table 2) on declining smoking rates. The primary source of data was not shown (most likely Organisation for Economic Co-operation and Development stats) but nonetheless, the trend is there — declining smoking rates as more people either have quit smoking and/or have shifted to illegal products or shifted to alternatives like vaping and snus (snuff) in Sweden.

Some important points to conclude and ponder.

One, the law of diminishing marginal revenues, the Laffer curve of optimal taxation, is real not fictional and is happening in the Philippines. As tobacco tax rates increase, people shift to illegal products and tax-paying legal products are hit, leading to reduced government tobacco tax revenues in 2022.

Two, people own their body and lives. Not the government, not the NGOs or media or doctors. Individual and consumer freedom means individual and parental responsibility of taking care of one's body.

TABLE 2.
Smoking rates in selected countries, % of population

Country	2014	2017	2020
France	40	36	28
Germany	27	25	24
Italy	27	24	23
Japan	19.6	17.7	16.7
UK	22	17	12
Canada	18	16	10
Sweden	11	7	7

SOURCE: YDSTEDT AND WATASE (2023)

Three, harm reduction is a rational act by people. Instead of drinking 40% alcohol content whisky, they shift to 15% alcohol wine, or 5% alcohol beer. Instead of drinking high sugar soda, they shift to low or zero sugar soda. Instead of smoking cigarettes, they shift to vaping heated tobacco products or snus. Government and NGOs should respect those harm reduction acts, not demonize them.

Four, if a nanny state and NGOs really want to take over people's behavior about their body, then they should be consistent. Regulate smoking, vaping and drinking; regulate sky jumping and deep-sea diving; regulate rock and tall trees climbing; regulate downhill cycling and cliff diving, and so on. Just one major mistake on those hobbies and adventures can lead to serious physical injuries if not death.

Five, government should focus on its basic functions that it was invented for in the first place: to protect the people's right to life, right to property, and right to liberty. So, government should ban and control murder and killing, abduction and rape, stealing and destruction of property, bullying and killing people's right to self-expression and mobility. When government is preoccupied with over-regulating smoking, drinking, vaping, gam-

bling, etc., it will have little time to do its basic functions.

Finally, on individual freedom of expression: Among my favorite local rock bands is the Rockitwell band headed by fellow UP School of Economics alumnus Jack Teotico who owns Gallerie Joaquin. Now, Jack — the economist, the gallerist and the rock singer — is setting up a new and completely original musical titled *Silver Lining*. Producing a musical — whether it is on Broadway, off Broadway, the West End, or in Makati — like *Silver Lining* takes economic magic to make sense. The resources and talents to be harnessed are gargantuan. The audience will see *Silver Lining* starting this weekend, Oct. 20 to 22, then Oct. 27 to 29, at the Carlos P. Romulo Auditorium, RCB Plaza in Makati. It stars Jack and noted thespians Ricky Davao, Raul Mabesa, Joel Nunez, and Starmagic talents like Krystal Brimmer. ■

BIENVENIDO S. OPLAS, JR. is the president of Bienvenido S. Oplás, Jr. Research Consultancy Services, and Minimal Government Thinkers. He is an international fellow of the Tholos Foundation. minimalgovernment@gmail.com



TABLE 1.
Prevalence of current tobacco use and life expectancy

Country	Smoking prev., % of adults				Life expectancy at birth, years				
	2000	2010	2019	2020	1960	1980	2000	2020	2021
A: France	34.2	33.8	33.6	33.4	69.9	74.1	79.1	82.2	82.3
Italy	26.2	24.5	23.3	23.1	69.1	73.9	79.8	82.2	82.8
US	33.8	28	23.4	23	69.8	73.6	76.6	77.0	76.3
Germany	36.4	28.3	22.5	22	69.1	72.8	77.9	81.0	80.9
Japan	33.3	25.8	20.5	20.1	67.7	76.0	81.1	84.6	84.4
UK	37.9	24.1	16.1	15.4	71.1	73.7	77.7	80.4	80.7
Canada	28.4	19.3	13.6	13.0	71.1	75.1	79.2	81.7	82.6
B: Indonesia	35.4	36.3	37.2	37.6	46.5	58.8	66.4	68.8	67.6
Vietnam	29.8	27	25	24.8	59.7	66.2	72.5	75.4	73.6
Philippines	34.9	28.3	23.4	22.9	59.2	62.5	69.4	72.1	69.3
Malaysia	29.5	25.6	22.8	22.5	56.5	68.2	72.8	75.9	74.9
Thailand	31.7	26.3	22.5	22.1	51.0	64.0	72.3	79.3	78.7
Singapore	16.4	16.5	16.6	16.5	64.7	72.2	78	84.5	83.4

SOURCE: WB, WORLD DEV'T INDICATORS 2023 DATABASE