TAKING STOCK OF THE WORLD BEFORE THE TRUMP XI SUMMIT.

There were 134 days between XI and Trump's Summit in Beijing in May and their meeting in Washington this week. Before the last summit Trump lost a war with Iran, then lost a further military exchange, then the Red Sea was blocked on top of the Gulf of Hormuz, and finally Russia is economically annihilating Ukraine. So, between the summits; from bad to worse for Trump. The world order continues to shift in favour of China.

Before the last Summit in Beijing Trump needed a victory to offset the debacle in Ukraine. Egged on by the Israelis they attacked Iran together with NATO help in what came to be known as the *40-day war*. The US lost, straining relations with Israel. Trump landed in Beijing humbled. This time Trump has not attacked Iran in preparation for the Summit in Washington, though the US has landed additional aircraft on runways close to Iran, for example in vulnerable Qatar, but mark you, not valuable F35s but obsolete F16s. Whether this is provocation or temptation is not known. But is demonstrates continued US belligerence if not intention.

What is known is that Trump disgraced the (UN) United Nations treating it as the UNA or United Nations of America, by threatening to annihilate a member state if they did not negotiate. Given his ambivalent words in the UN and the imminent Summit it is unlikely the US will attack Iran while Xi is in the USA. Furthermore, his approval rating with US voters regarding his conduct of the war with Iran stands at minus 50%, a record low support for a war. Then of course there are the approaching mid-term elections where Silverlake now predicts a certain Democratic win in the Senate. "*Polling guru Nate Silver's model gave the party a 58.6 percent chance of winning the chamber on September 14, up from 50.6 percent on September 6."*

There are three things Trump fears, the Iran-Russia-China axis, the stock market and finally impeachment if the Democrats win the mid-terms. Already the Dems are talking about investigating his financial dealings while president if they win both Houses of Congress. For all these reasons, it is likely that the US will hold off and attack only after the mid-term elections are over, that is when Trump has nothing to lose, instead of a war now with its unpredictable consequences especially if ships and sailors are lost. These consequences could be significant. The evidence is growing that Iran hit a US destroyer despite CENTCOM denials to the contrary and that one of Iran's Qasem Basir missiles exploded close enough to the aircraft carrier USS George Washington to set off alarm bells in the Pentagon. Interestingly, besides defensively steaming away from Iran, since that attack over two weeks ago, there have been no further US strikes on Iran.

This has not deterred the Israelis emboldened by their advances in Lebanon against Hezbollah having crossed the Litani River via Syria behind the backs of Hezbollah. In Israel the Hebrew media has been full of speculation that the country is ramping up for an attack on Iran and if not Iran then Yemen. Again, this is interesting because Israel sat out the recent 19 day bombing of Iran by the USA a few months ago. Clearly, the fear of not being able to intercept Iranian missiles from further battering its damaged infrastructure played a role.

For its part, Iran has confidently resisted the US threats. It has restated the seven key demands contained in the original *Memorandum of Understanding* which includes the issues of Gaza, Syria and Lebanon. These terms it considers to be non-negotiable. It also notified the world that if attacked, it had new and advanced weaponry it had not yet fired.

In Yemen, the puppet government of Yemen's attempt to capture the Ansar Alah (Houthi) capital of Sana'a turned into a rout as 15 brigades numbering 30,000 soldiers were forced to retreat. This allowed Ansar Alah to focus on a lightning sweep which saw them secure the entire Red Sea coast. The fighting is not over as the Saudis, with British help as usual, are using the full force of their Airforce to bomb Ansar Alah outposts. So much for Andy Starham the new Prime Minister. In the meantime, the retreat by the 'official' western recognised forces has enabled Ansar Alah to capture vast amounts of military equipment as well as advanced US and Israeli radars and underwater infra-red surveillance equipment. The only question that remains is why did Saudi Arabia provoke this war with its earlier attack on the

Yemeni airport in front of a plane returning with dignitaries returning from Iran and the funeral of the murdered supreme leader there? I never thought Trump had a stupid equal, but it seems MBS is his equal.

It is important to note that the official line that the army was bribed to walk away from Sana'a is deflection. Beneath that charade something far more significant is simmering. Yemen not Saudi is the heart of the Arab world. And resentment towards the strict Saudi Wahabi (originally nurtured by British intelligence in the 19th Century) interpretation of Islam is growing. What is developing in Yemen is not merely a war, but possibly the beginning of an uprising against Western influence in the whole region, threatening western sponsored and imposed regimes weakened by empty pockets as oil and gas flows continue to be interrupted.

The *Mecca Pact* did not help Saudi Arabia. Financial scandal after financial scandal is breaking out in Turkey. Turkey is bogged down in Syria facing nationwide protests and having to face off against Israel there. And Erdogan is increasingly politically beleaguered in Ankara. Similarly, Pakistan's military government is facing the largest potential unrest around Imran Khan's arrest and declining health. They should rename the Pact the Wrecckad Pact.

The Ukraine.

By the day it becomes clearer that Russia is not at war with Ukraine but with all of Europe and Britain. There is no way that Ukraine has the capacity to repeatedly launch over a thousand drones in 24 hours against Russia. That takes a continental effort to achieve, not only in providing the drones themselves and the finance behind them, but the co-ordination, communications with and targeting of these drones which extend well beyond Ukrainian technical capabilities. If additional proof is needed that this is a war with the West, we need look no further than the depletion of western interceptors forcing both Zelensky and MBS's (Saudi Arabia) emissaries to travel the world begging for them. Defeats in Ukraine and Iran has been a Western defeat, exposing in particular, the limitations of US power.

The war in Ukraine is no longer a special military operation. Trump, Kushner and Witkoff with their on-off peace negotiations succeeded in preventing Putin's government from escalating. But Ukrainian drone attacks into Russia and its Black Sea ports made holding back impractical. Today Russia has embarked on a strategy of destroying Ukraine's economy from the foundation up. In this they are copying the West's 'failed state' policies.

Russia has no alternative. Capturing territory is no longer sufficient. In the old days it was said the Israel was the unsinkable US aircraft carrier in the Middle East. Today Ukraine is the West's unsinkable drone carrier in Europe tasked with firing a permanent stream of drones into Russia to keep it off-balance. This is the problem Russia faces. Even if it wins and occupies the four Eastern Oblasts, the remaining Western territory will still be used to attack Russia with drones and missiles. And worse for the Russians, Ukraine has an unassailable rear, Europe, where drones and missiles will be produced and smuggled into Ukraine. This fact is completely misunderstood by Russophobic metropolitan western lefties.

For all these reasons Russia needs to make Ukraine economically unviable and unliveable. A failed state. This winter will be hell for the Ukrainian people. Desperation will mount with many Ukrainians voting with their feet to leave the country.

And it has been hell on the battlefield as well. Concerned about developments affecting his own country Polish P.M. Tusk let the corpses out of the bag when he admitted that Ukraine was suffering 27,000 military casualties each month, a figure proximate to Putin's 30,000 figure. The cumulative total is around 1.5 million on the Ukrainian side and around 250,000 on the Russian side. Western estimates and the lefties fooled by Ukrainian estimates disrespect the dead as Kyiv and Berlin overestimate Russian casualties while they underestimate Ukrainian casualties. This 1.5 million figure compares to a population of around 28 million in western Ukraine after 5.69 million Ukrainians fled the country according to UN data. Add in emigration to Russia and this is one of the largest haemorrhaging of population in history.

While many troops have been dragooned in Eastern Ukraine, the vast number of Ukrainian troops have been recruited and dragooned in western Ukrainian. If we take this raw data, the casualty (not the death) rate works out at 5.4% per head of population. This compares to 4.6% Red Army soldiers killed in WW2 per head of population, 6.3% in Germany, 2.9% in Japan and 0.8% in the United Kingdom.

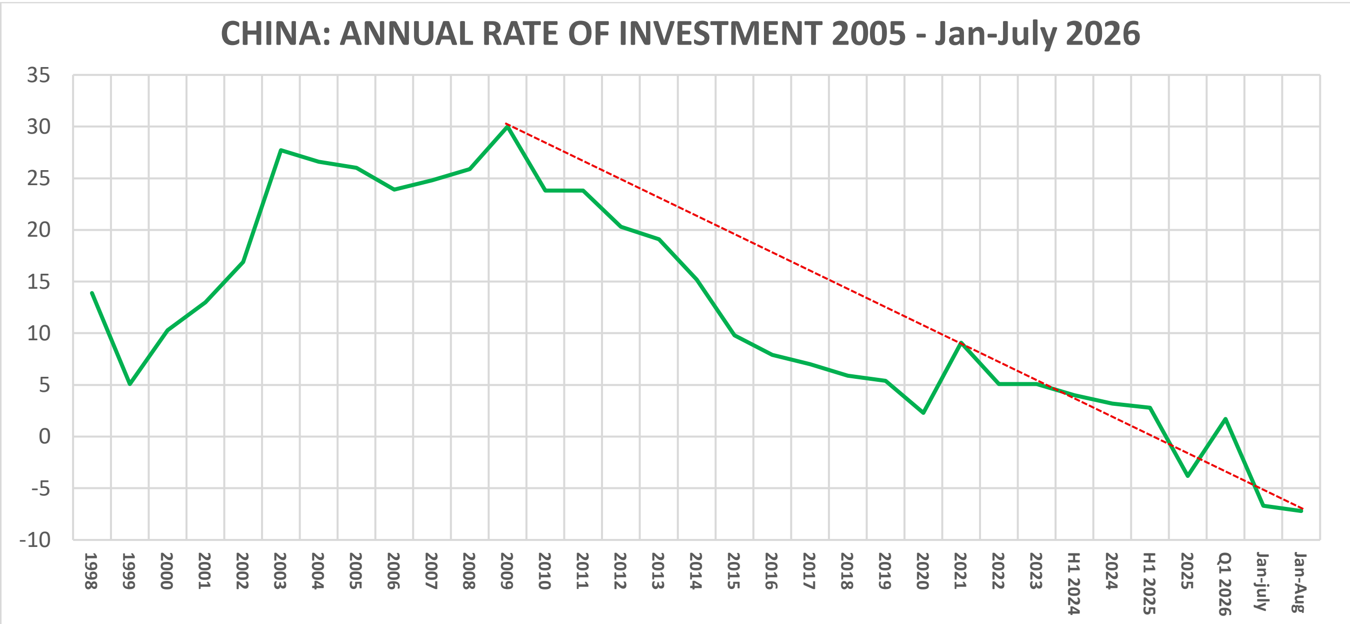
This shows how brutal the war has been. Proxy wars are the most terrible of wars because the masters of these wars reside outside the country and cannot be held to account nor restrained. Citizens in the US and Europe only bear the costs of this war indirectly through taxes and reduced services, not through boots on the ground and resulting casualties. The West has only one imperative, keep Russia pre-occupied with Ukraine for as long as possible, or what is the same thing, to the last Ukrainian soldier or drone.

Both economies are fragile.

China and the USA enter the summit with deep problems affecting their economies. Without its rampant exports China would be in recession. Without its AI bubble so too would the USA be. Eighty percent of the economy in both countries are in recession.

For this reason, neither country can countenance an all-out war in the Middle East threatening the world economy. China seeks a negotiated settlement. It fears the loss of its export markets in the event of a global recession. The latest investment figures driven by falls in real estate and consumer facing industries says it all. In August month on month investment fell by 2%. Retail sales growth over the last three months was under 1% annualised. In contrast Chinese exports measured in Dollars increased 25% yoy in August. According to the Financial Times four out of ten shipborne containers are now being filled with Chinese goods, a figure which was only expected to arrive at in 2030.

Graph 1.

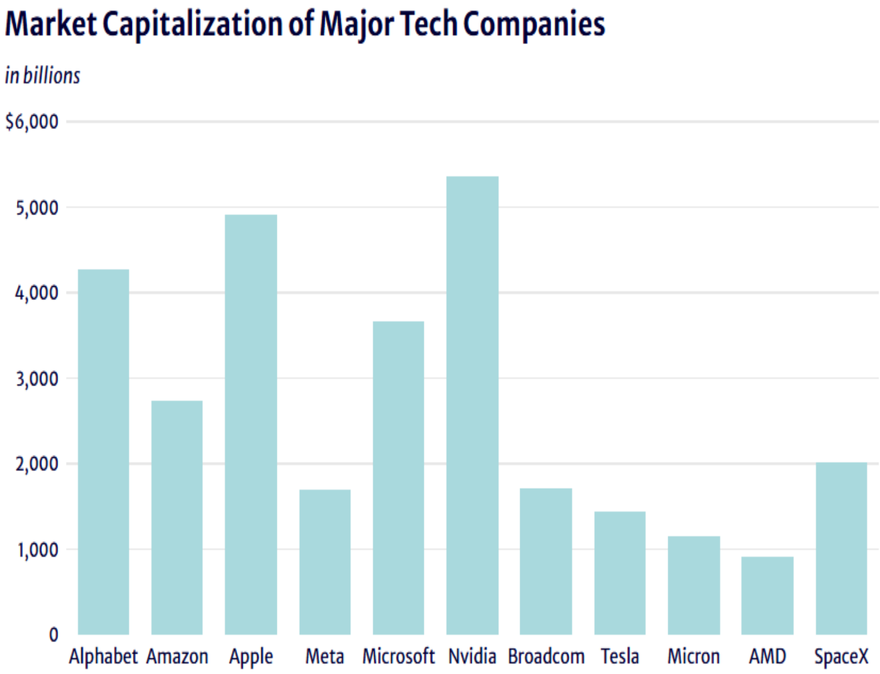


Chinese foreign policy is formed from two moving parts. Firstly, protection of the global economy on which it depends more so than the US giving Trump some leverage over China, especially regarding the issue of tariffs. Secondly, to ensure that US military leverage is minimised by covertly supporting Russia and Iran in their wars with the US. Thus far this juggling act seems to have succeeded. The world economy remains relatively stable, commodity prices have not jumped, while the US is militarily denuded. The last is significant. Congress was suspended to protect the Secretary of War from impeachment as disquiet grows within the ranks of the military over leadership, conduct and foreign policy.

Beijing will continue to push for continued 'constructive strategic stability' and détente with the USA while focusing on minimising tariffs. It will exploit the difference in self-sufficiency between the US and China where China is far less reliant on the US economy than the US is on China.

In the US the AI bubble remains buoyant though issues at the margins are appearing. Tech firms especially the hyperscalers are expected to spend $600 billion this year propping up the economy. To date US commercial banks have loaned tech companies $800 billion. In turn Tech companies have issued $300 billion in guarantees to finance data centres as part of their accumulation of $3.1 trillion in off-balance sheet liabilities according to Morgan Stanley. Round tripping has become the popular 'two-step dance'. First loan money to a customer, second, they buy your product. The beat goes on until it does not. The latest wheeze is Nvidia buying Hugging Face after one of its biggest customers, OpenAI hacked it, opening up all sorts of legal consequences, now buried by the acquisition. In the meantime, the valuation of the largest nine tech companies reached over $26 trillion, almost equalling the value of all owner-occupied homes in the USA, itself overvalued.

Graph 2.



One indication that all is not well in the world of AI was *the put your head between your knees angst* which arrived a couple of weeks ago in the form of a post which declared there was a 10% chance AI would wipe out humanity. Too late, AI has already wiped out 90% of human brains in the form of intelligence destroying social media. Most students can no longer concentrate for more than 20 minutes and even then, they can't remember the opening part of what they are reading. Imagination has been corrupted by AI art. People can't remember addresses or telephone numbers or directions. It's all delegated to their smartphone, just as in previous times the stupid rich delegated all their important information and needs and even thinking to their servants.

But the scare had a different purpose, or at least it was turned from life threatening to commercial threatening - China. The Big US Tech companies are feeling the pinch from cheaper Chinese open source and open weight LLMs such as DeepSeek and Qwen. These are programmes that can run adequately on powerful PCs or laptops. Who needs data centres and the cloud. *"Chinese AI models are particularly attractive to American companies now as AI costs skyrocket," "Where previously U.S. companies were prioritizing AI adoption regardless of model, now they're getting more cost-conscious*." On Wednesday Anthropic and OpenAI reduced prices and pledged to introduce cheaper models. But reducing prices will only make it harder to justify the huge spend on the cloud and data centres where returns were already questionable if not fictitious.

But it is not only Chinese competition which is impacting the viability of the US AI model, it is interest rates as well. On Wednesday the 10-year yield jumped over 5% once more to its highest level since 2007. Following shortly behind, with a gap of only 0.2%, was the 2-year yield, not yet inverting but close. It is reaching the stage where even share prices are being forced to take note despite their AI intoxication. High interest rates and lower share prices which normally go hand in hand are a lethal combination. Higher interest rates make leverage gruesome and lower share prices makes it impossible to use price gains to offset losses in the unregulated or shadow banking sector. The orchestra is heading towards the grand finale. Insurance companies beware the omens.

I will have more to say on the US economy shortly after the BEA releases its second report on corporate profits as well as GDP-by-industry allowing me to prepare turnover data.

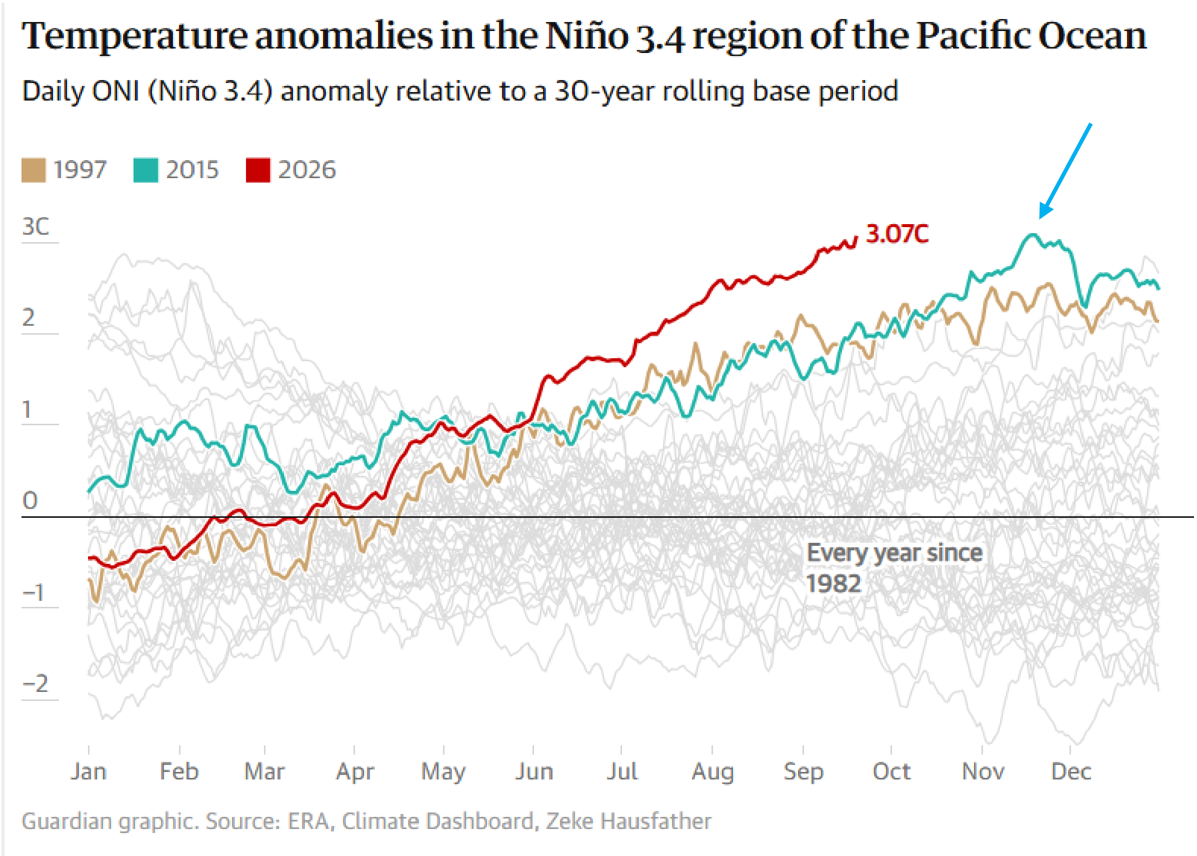
Hell-Nino.

Here is the Independent Newspaper summary of El-Nino, don't tell Trump, he will order the USAF to bomb it because it has a foreign name. On a more sober note, no doubt XI is more alert to the consequences of this climate catastrophe than Trump.

- Pacific sea surface temperatures reached a record daily reading of 3.05°C above average on 19 September, months ahead of the El Niño event's expected peak.
- Global oceans recorded 100 consecutive days of unprecedented heat between June and September, with sea surface temperatures reaching a peak of 21.1°C.
- Forecast models project the ongoing El Niño will peak at around 4.1°C later this year, exceeding the 2015-16 record by 1.3°C.

This graph by the Guardian puts it into relief. Two months before its peak it has already exceeded the previous peak.

Graph 3.



This climatic event is in a league of its own. The effects will not be arithmetic but geometric given its sheer scale. It is thus futile to extrapolate the turbulent consequences for global weather. We are truly entering into uncharted waters. What can be said is that the loss of life due to its effects will be in the millions with the economic losses in the trillions.

Imagine a world where the leaders of the two most powerful economies call a summit to agree on how best to deal with this climate challenge to improve resilience and minimise its effect on lives. Instead, it is unlikely that the summary communique of their meeting will even include a mention, because of Trump's dogmatic denial of climate change.

Conclusion.

In the 134 days since the last Summit the balance of forces has continued to shift away from the USA towards China. Trump's vile threats and bluster cannot disguise this. While it is true that the BRICS meeting revealed the discord between its members captured by the vague communique after the meeting, it did reveal one thing, a desire to minimise the hold the US exerts on the world economy. This was particularly evident in the commitment to strengthen alternative payment systems reducing reliance on western systems which fortify sanctions.

And it is not only BRICs members. Europe too is getting into the act by moving away from Mastercard and Visa by switching to Wero which accumulated nearly 50 million users in its first year. Clearly middle ranking and lower ranking countries are beginning to navigate between China and the USA, playing the one off against the other while trying to chart a more independent path. The distancing of US allies has not gone unnoticed in Washington and New York, this comment from CNBC. *"Trump enters Thursday's summit with Xi facing a China that has become harder to isolate as U.S. allies seek greater room to manoeuvre between Washington and Beijing. The U.S. retains major advantages through its network of longtime allies and control of key technologies, but polling shows confidence in Washington has fallen sharply in several allied countries."*

This does not seem to be the case in the Gulf where its monarchies have allowed the US to rebase military assets on their territories putting themselves at risk of attack, while Saudi embarks on its suicidal mission in Yemen. This is primarily due to the investments these monarchies have in Wall Street from which they have profited and which ties them to the USA. However, should the stock markets crash and the bond markets roil, turning profits into huge losses, then these ties will be severed, and the Gulf as elsewhere, will have to plot a more independent path, one which acknowledges Iran to be the new power in the Middle East with China and Russia behind it.

No doubt Taiwan will be discussed and nothing agreed. In the end Taiwan won't be used as a base to attack China, reunification will take place, not because China invades, but because China's technical advances, especially when it scales up its indigenous EUV lithography, crushes the Taiwanese economy. It will be commodities not shells, factories not artillery which will decide the issue.

Xi lands in Washington stronger than in the earlier Summit in Beijing with Trump weaker at home and abroad. That in a nutshell is a summary of the Summit and its outcome. But there is definite symbolism behind this meeting. Xi has not visited for ten years. Why the delay? Because during that time the US declared economic war against China only to see itself defeated. In that sense this summit is a celebratory meeting, a celebration by the Chinese delegation in the heart of the hegemon of one of the most monumental defeats in modern history, a history reshaping defeat, and everyone besides Trump knows this.

Brian Green, 24th September 2026.