[Facing Low Oil Prices Exxon Is Looking For New Strategies]

WASHINGTON – Major oil companies are in deep trouble. Too much global supply means lower crude prices. If this continues –and there is every little evidence that it will not– this means that large exploration projects in far away lands that typically require large up front investments may no longer have economic justifications. Simply stated, these projects mean too much money invested now for potentially weak or even negative returns years from now.

Move into shale

Hence the decision just announced by the new Exxon leadership to invest more in the U.S. shale oil sector. This move would require lower up front capital investments, as opposed to the traditional focus huge on large "conventional oil" exploration ventures, many of them off shore operations, which may cost billions over a number of years before they become operational. It is hoped that this move into U.S. shale would create greater operational flexibility, since shale wells do not cost that much and can be "turned on or off" fairly quickly, depending on global demand and supply fluctuation.

This is how *Oil & Energy Insider* (March 3, 2017) describes the move:

"Exxon goes big on U.S. shale. *New* ***ExxonMobil (NYSE: XOM)*** *CEO Darren Woods gave his first presentation to investors this week, where he outlined a strategy to step up investment in U.S. shale. Exxon will allocate a quarter of its 2017 budget to short-cycle shale projects. The move will help the oil major navigate an uncertain market, as cash can be returned to the company much quicker from shale drilling than it can from the major offshore projects that Exxon has long been* *accustomed to. Still, Exxon will move forward aggressively on its large offshore discovery in Guyana, hoping to bring it online in the next few years. "*

Diversify

So, here is the thing. Exxon is trying to diversify its energy portfolio. It will continue work on existing "conventional oil" projects. But it will try to mitigate the risks associated with large commitments to new expensive projects in a volatile and downward trending crude prices environment by buying more into the less risky U.S. shale sector.

I say smart move. However, it may just not be enough. In part thanks to the U.S. shale oil revolutions that began in earnest about a decade ago, there is just too much crude supply world-wide.

It may not work

Hard to believe that OPEC's oil price support efforts –its decision to cut production, somewhat– even if aided by similar production cuts enacted by Russia and other non-OPEC producers, will manage to put a real floor on oil prices.

Good luck to Exxon. It really needs it in order to protect its position as an American oil giant.

[Trump's Remarks On NATO]

WASHINGTON – Republican presidential nominee Donald Trump made headlines in Europe when he declared that America would intervene to assist a European NATO under attack only if this ally has paid its full share of the bill for the common defense. This is unprecedented. No U.S. leader or aspiring leader has ever publicly questioned U.S. determination to intervene on behalf of a NATO member in case of hostile actions against it.

NATO's credibility at stake

NATO's credibility rests mostly on the U.S. unconditional commitment to defend Europe. If future U.S. policy indicates that this blanket commitment is subject to conditions, this may encourage aggression, or at least unfriendly actions on the part of Russia, always keen to exploit divisions between the U.S. and its European allies.

Here is what Article 5 of the NATO Treaty says: *The Parties agree that <u>an armed attack against one or more of them in Europe or North America shall be considered an attack against them all</u> and consequently they agree that, if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defence recognised by Article 51 of the Charter of the United Nations, will assist the Party or Parties so attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary, i<u>ncluding the use of armed force,</u> to restore and maintain the security of the North Atlantic area.* [Emphasis added].

Unconditional pledge

It is clear that the NATO Treaty makes no mention of added conditionalities. It clearly stipulates that an attack against one NATO member shall be considered by all the others as an attack against all. Therefore, technically speaking, Trump's remarks are wrong, and frankly ill-advised. Indeed, Trump's glib remarks about circumstances that he would look at as president before deciding whether or not to come to the help of a European NATO country in peril are most inappropriate. The U.S. is bound to help a fellow NATO member because of a Treaty obligation. There is no gray area.

That said, Trump, while wrong on his interpretation of the Treaty, diplomacy and more, is actually right on substance. Let me explain.

Not paying for the common defense

In his usual inelegant but (sometimes) effective style, Trump pointed out what every U.S. defense official knows but will not say so bluntly, especially in public. It is a well-known fact that Europe is not paying its fair share of the common defense.

Ever since the end of the Cold War, European defense budgets have been (with very few exceptions) in free fall. The official pledge taken by all NATO countries to invest at least 2% of their GDP on defense has been broken by most of the Alliance members. There is no sign that all or at least most Europeans will soon be in compliance. Again, these are undisputed facts.

U.S. and NATO officials have repeatedly noted (albeit using muffled language) this huge gap between promises and actual defense spending. President Obama himself expressed his distress while contemplating European allies who do not spend even the bare minimum for the common security.

Trump said what most defense officials believe

Given all that, what Trump said is very much in line with what most members of the U.S. national security establishment know and say –but mostly in private meetings. The huge difference is that Trump publicly and bluntly said that America will not come to the rescue of delinquent members. And this is news.

Of course this unprecedented statement by someone who may be the next U.S. Commander in Chief come January 2017 made headlines, especially in the front line NATO countries in Eastern Europe that are directly facing Russia. (Think Latvia, Estonia, Lithuania and Poland). By saying to the Europeans something that amounts to *"First pay up, and then we shall see what I can do for you"* , Trump created nervousness and potentially contributed to enhancing instability in Eastern Europe. Given what he said, will Trump's America come to the rescue of Estonia in case of an attack? May be not. His statement allowed all sorts of bad conjectures. This is why it was most ill-advised.

Pledges should be honored

That said, on the broader issue of lack of a European serious commitment to the common security, Trump is basically right. Throughout its long history that goes back to 1949, NATO has always been an unequal arrangement, with the U.S. doing the heavy lifting when it comes to defense spending.

But now we are at the point in which many European members of this old security pact contribute little to the common defense, some almost nothing; with the hope that they can get away with routinely unfulfilled pledges. This has to stop. Otherwise this old alliance turns into a joke.

Trump pointed out this huge gap between promises and actions. Again, really wrong on form; but right on substance.

Oil Prices Will Stay Low

WASHINGTON – I am not at all surprised to see that the Doha oil talks aimed at finding an agreement about stabilizing output among major producers failed. Saudi Arabia would have liked to freeze production at current levels, which means at the Kingdom's highest level in modern times, (more than 10 million barrels a day).

No deal with Iran

However, it was obvious that Iran could not possibly have agreed to freeze its own production at current levels. Tehran wants to ramp production up to its pre-sanctions peak. And how could anybody have assumed anything else? Of course the Iranians want to increase their oil production and regain lost market share.

Therefore, no deal. As a consequence, oil prices are once again headed lower. There was a time in which low prices were really good news in the West. But now it is a mixed bag, especially in the U.S.A.

Oil was good news in America

And how so? Well, because "unconventional oil" exploration and recovery –we are talking about shale oil– has been one of the brightest spots in the otherwise timid U.S. post 2008 economic recovery. Tens of thousands of new, high paying jobs made things better in many oil-producing states, from North Dakota to Texas.

U.S. oil in recession

But now, lower prices are bad news for a sector composed primarily of small to medium-sized companies, many of them under capitalized and highly indebted.

For small U.S. energy companies it was easy to get bank loans when oil was at $ 100 a barrel, and therefore future profitability was not in question. But now it is at $ 40, possibly headed even lower. And therefore the U.S. oil patch is in a recession. Moody's just downgraded many U.S. energy companies. Tens of thousands of good jobs have already been lost, with more losses to come. This will have a nasty effect in the affected regions, and some negative impact on the overall American economy.

Resilience

Things are not awful across the board. In fact, the shale oil sector has proven to be much more resilient than most analysts had predicted. A combination of aggressive cost cutting and vastly improved production technologies allows at least some shale oil companies to stay profitable even with oil at $ 40. But this is only about some companies.

The other good news is that shale oil production is relatively flexible. It is not too complicated to shut down wells and then start production again in better times, when prices have recovered. Still, idled wells do not generate any income. Weak producers close down, or go bankrupt. Some may be bought by bigger competitors with deeper pockets.

Sure, at some point this cycle will end. Saudi Arabia cannot afford huge budget deficits for ever. Its bizarre policy of keeping production at these levels, (this way depressing prices), while the Kingdom needs to get into debt in order to fund current government operations (and that includes almost the entire country getting some money from the Royal Family) will end. But it will take a while. In the meantime, hard for U.S. oil workers to find other jobs that will pay so well.

Good news for consumers

That said, depressed oil prices, while they hurt an important sector of the U.S. economy, on balance are positive. America is still a major net oil importer. Lower prices translate into a smaller balance of trade deficit. And for the average consumer cheap oil must be good news. Who can complain when finding lower prices at the pump? For tens of millions of American drivers low gasoline prices are equivalent to a tax cut. More money in their pockets.

The future of oil

That said, going forward, the real challenge for the U.S. oil sector is not Saudi Arabia flooding the global market. The real challenge will be new, non oil-based technologies.

Despite its uncertain beginnings, the electric car sooner or later will become economically viable. Elon Musk of Tesla has bet everything on making affordable, mid-sized electric vehicles, EVs. We are not there yet. Money losing Tesla may be will fail. But even if it does, others will follow. And when someone will hit the sweet spot with easy to recharge, attractive EVs with a good range that the average consumer can afford, it is good-bye to oil.

Saying good-bye

And that will be a real good-bye. It will not be about temporary sector recessions, or fluctuating prices due to Saudi shenanigans. It will be the end of the oil era.

Here in the U.S. at least someone will be prepared for this gigantic transformation. But economies such as Russia, Venezuela and Saudi Arabia which depend entirely on oil revenues to fund *"everything"* will be in deep, deep trouble.

All told, better to be in America. This society, with all its problems, is still capable of promoting change while embracing it when it comes.

NATO Is Indeed Obsolete

WASHINGTON – The Atlantic Alliance, or NATO, is an old security arrangement (founded in 1949) that no longer has a clear purpose. In his habitual blunt style Donald Trump, the leading candidate for the Republican nomination in the upcoming presidential elections, recently said that NATO "is obsolete". In fact, while Trump is certainly not a leading foreign and defense policy expert, he is mostly right.

No mission

Indeed, what is NATO's mission today? And, related to that, what means does NATO have at its disposal to execute this mission? On the first question, now that the Soviet Union is gone, the mission of a military alliance created to face it is murky. On the second question, NATO has very few military means, as defense budgets in most members states have been shrinking, year after year. (In the US, despite cuts, the Pentagon's budget is equal to 3.6% of GDP. Germany's defense spending is 1.2% of GDP. In Belgium it is 0.9%, in Spain 0.9%, in Italy 1.0%)

The old rationale

The initial rationale for the creation of Atlantic Alliance, the very first peace time integrated military structure, was the Soviet threat against Western Europe at the beginning of the Cold War. Europe's proximity to the expanded Soviet Bloc, (it included all of Eastern Europe and East Germany), combined with Europe's economic and military weakness, (due to the lingering effects of the destruction caused by WWII), prompted America to commit itself to the defense of Europe. Hence the creation of NATO in 1949, with tens of thousands of US troops permanently stationed in West Germany and elsewhere in Europe, with tanks, guns, aircraft, and nuclear weapons.

No more Soviet Union

But then the Berlin Wall came down in 1989, and the Cold War ended because the Soviet Union imploded shortly thereafter. The Warsaw Pact disappeared. The New Russian Federation lost control over all of Eastern Europe. Germany was reunified. Moscow also lost large pieces of the old Soviet Union, including Ukraine, Belarus and the three Baltic States.

NATO is still here

However, NATO was not disbanded in response to the withering away of the old existential threat to Europe's security. Perhaps it was prudent to keep the old institution in place, just in case. And may be it was a good idea to allow the former members of the Soviet Bloc to join NATO, even though the new Russian leaders saw this as an eastward expansion of NATO, and therefore a potential threat to them.

Still, be that as it may, an Alliance's strength is based not on how many members it has, (28 countries), but on its shared purpose and on its ability to deploy the military tools to secure them. And here NATO shows its inherent weakness. No clear purpose, and drastically reduced military forces.

A new threat from Russia?

If we fast forward to today, many will argue that NATO is still quite relevant because Putin's Russia has demonstrated to have aggressive tendencies. in 2008 it went to war with Georgia. More recently it grabbed Crimea, a piece of Ukraine. Many say that, if unchecked by NATO, Russia would keep moving westward into Poland, the Baltic States, and may be beyond.

I believe that Russia is mostly interested in neighboring regions that historically were part of Russia. The idea that Ukraine is just the appetizer for a famished Russia, while Portugal or at the very least Germany will be the pudding seems quite preposterous.

Inadequate military means

But even if we assume that this unlikely theory of Russian resurgent expansionism were in fact correct, then where is NATO's demonstrable military deterrent to counter it?

Indeed, if NATO is still standing and operational because Russia is a threat to its members, then we should also see robust defense spending aimed at creating a war fighting force that can credibly deter aggression by showing Russia that any threat to NATO members’ security would be met by a formidable force.

Unfulfilled commitments

Well, it is not so. Because of economic weaknesses and competing social spending priorities, most European countries have allowed defense spending to go into free fall. In theory, all NATO members are unequivocally committed to spend at least 2% of GDP on defense. In practice, only 5 countries, out of 28 NATO members, have honored this pledge. Most of the others spend around 1% of GDP on their military, or less. This is half of what they promised. If you take the U.S. out, The European members of NATO have only limited air power. Practically no sizable expeditionary forces. No meaningful airlift capabilities.

During the Libya mission, confronted with a third-rate enemy, the French and British air forces run out of smart bombs only a few weeks into the conflict. Even that limited operation could not have been executed without US support in key areas such as air defense jamming and suppression, and overall logistics.

Not serious

Quite frankly, this reluctance to field credible military forces makes NATO into a joke. You cannot say that we have to keep NATO together and strong in order to face an aggressive Russia and then have a virtually disarmed military alliance on account of the fact that nobody wants to spend diminished revenue on defense in economically weak countries.

Limited support to US-led operations

As far as what used to be called “out of area” (that is possible threats outside of Europe) NATO does not have clear objectives and a credible strategy to achieve them. Yes, NATO countries participated in the difficult Afghanistan and Iraq conflicts. NATO countries intervened in Libya. All true. But in all these efforts (Libya is a partial exception) the US was leading, and selected NATO countries followed.

At present, while the US (with little enthusiasm) is leading a military effort against ISIL in Iraq and Syria, some NATO countries are contributing some aircraft to the air war. But there is no clear NATO policy. And certainly no commitment by all NATO members to participate.

No clear purpose

So, here is the thing. With the end of the Cold War, NATO lost its original purpose. What we have now is murky strategic objectives and lack of military means to accomplish even slightly ambitious missions.

The NATO Alliance is now mostly a talking shop with too many members who contribute almost nothing of value. While something may change after the US elections, it is unlikely that anybody will ask the hard questions about purpose, strategy and means.

No debate on difficult issues

Nobody wants to have an open debate within NATO that would inevitably expose deep political divisions and embarrassing military vulnerabilities. For this reason, I suspect that the old institutional framework will be left as is, even though most analysts recognize that it is obsolete and virtually meaningless when it comes to core military capabilities.

In the future, if we are lucky, the US may be able to create *ad hoc* "coalitions of the willing" and work selectively with the 4 or 5 NATO countries that still have modern armed forces.

[No Deal To Cut Oil Production – Still, Russia And Saudi Arabia Are Talking]

WASHINGTON – Saudi Arabia and Russia are the leading world oil producers and exporters. Energy Ministers from both countries met in Qatar to discuss a possible agreement leading to production cuts. They were joined by Qatar and Venezuela.

No deal

But nothing really happened. The only "agreement" reached by the two oil exporting giants, (the other two participants are not very consequential), is to freeze their production at January levels, an all time high. So this does not mean much.

Besides, the agreement is contingent on Iran and Iraq not raising their production beyond this level. And this is almost impossible. Iran wants to ramp up its production to pre-sanctions levels. This translates into *adding* another one million barrels a day beyond the 400,00 it has already added. Iraq desperately needs cash to finance its counter-insurgency efforts against ISIL in the North West of the country. So, expect no production freezes from these two key OPEC members.

Too much oil

The current oil production glut, intentionally allowed by Saudi Arabia when it refused to cut production when confronted with lower prices in 2014, is hurting both Russia and Saudi Arabia. And, as noted above, the situation is about to get worse. With the lifting of international sanctions, Iran is now free to export more to Europe and elsewhere. We can expect more than 1.4 million barrels of additional Iranian oil to hit already saturated markets in the near future. For sure, this over supply will keep crude prices down. They are around $ 30 right now, down to just 1/3 of what they used to be before this glut began.

Financial pain

Saudi Arabia can tolerate the financial pain caused by the huge oil revenue loss, for now, but not indefinitely. Likewise, the Russian government has been forced to cut spending, repeatedly, while dipping into a reserve fund to cover the substantial revenue shortfall. Depressed crude prices are really bad for both countries.

While no breakthrough took place in Qatar, may be it is time for the Saudis to get a deal with Russia. The problem is that Saudi Arabia is also concerned with retaining market share. If it cuts production, it will lose some customers. And others who are not cutting may end up benefiting. (Think Iraq and Iran, among others).

Can they agree?

Hence the importance of a deal with Russia, the other giant exporter. The two of them combined control 20 millions barrels of production. Still, is such a deal really possible?

In theory, yes. In practice, we would be entering uncharted territory. This has not been done before. Russia is not an OPEC member. Besides, Russia is not viewed as a friend by the Saudis. Moscow is on good terms with Iran, while it heavily supports Assad in Syria.

May be

Can the two countries go beyond these major political differences, and strike a deal that would benefit both of them financially, in a major way?

As we are getting closer to what begins to look like an emergency situation caused by oil revenue collapse, a production cut agreement between Moscow and Riyadh is just possible.

The meeting in Qatar was inconclusive. Still it counts as an exploratory talk between two critical players that until today had no established venue for bilateral energy talks.

Will there be more meetings? Can the two sides get a real deal, a deal that will cut production, and therefore lift oil prices? I would not rule this out. Both Russia and Saudi Arabia badly need more cash.

A Russia-Saudi Arabia Oil Production Cut Deal?

WASHINGTON – Saudi Arabia and Russia are the leading world oil producers and exporters. Energy Ministers from both countries are about to meet in Qatar to discuss a possible agreement leading to production cuts.

Too much oil

The current glut, intentionally allowed by Saudi Arabia when it refused to cut production when confronted with lower prices, is hurting both of them. And the situation is about to get worse. With the lifting of international sanctions, Iran is now free to export more to Europe and elsewhere. This means even more supply (about 400,000 barrels a day) from Iran in an already over supplied market. This will keep crude prices down. They are around $ 30 right now, less than half of what they used to be when the glut began.

Financial pain

Saudi Arabia can tolerate the financial pain caused by the huge oil revenue loss, for now, but not indefinitely. Likewise, the Russian government has been forced to cut spending, repeatedly, while dipping into a reserve fund to cover for the substantial revenue shortfall. Depressed crude prices are really bad for both countries.

May be it is time for the Saudis to get a deal with Russia. The problem is that Saudi Arabia is also concerned with retaining market share. If it cuts production, it will lose some customers. And others who are not cutting may end up benefiting.

Can we get a deal?

Hence the importance of a deal with Russia, the other giant exporters. The two of them combined control 20 millions barrels of production. What will be the substance of a deal? What guarantees can the two sides offer? Is such a deal really possible?

In theory, yes. In practice, we would be entering uncharted territory. This has not been done before. Russia is not an OPEC member. Besides, Russia is not viewed as a friend by the Saudis. Moscow is on good terms with Iran, while it heavily supports Assad in Syria.

May be

Can the two countries go beyond these major political differences, and strike a deal that would benefit both of them financially, in a major way?

As we are getting closer to what feels like an emergency situation, an agreement between Moscow and Riyadh is just possible. Stay tuned.

[Forget About Assad – America Should Focus on Fighting ISIL]

WASHINGTON – What are Obama's options regarding an American "Syria Policy" aimed at supporting the emergence of a democratic state over there? None. Simply stated, we cannot fight and win against ISIL, (entrenched both in Syria and Iraq), while also trying to get rid of President Assad, as he is protected by Russia, Iran, and Iran-funded Hezbollah.

Focus on ISIL

As we should really focus on ISIL, the broader threat, we should let go of any plans aimed at replacing Assad.

As we remember, when the Arab Spring reformist winds reached Syria, President Bashar al-Assad responded with characteristic brutality. Street demonstrators were met with force. Many were killed.

At the very beginning of what (years later) turned out to be a human tragedy of monumental proportions, the Obama administration postured. It issued strong statements, proclamations. "*Assad has got to go*", Obama stated.

Yes, except that there was no appetite to do anything that would actually *make him* go. At that time, may be there was still a chance to support the moderate, reasonably pro-western Syrian opposition. But that opportunity, assuming that it was viable, came and went.

ISIL firmly entrenched

What happened instead is that the group that became known later on as ISIL managed to exploit the unfolding civil strife within the country to gain control of a huge part of Eastern Syria. From there, the jihadists subsequently managed to quickly invade North Western Iraq, encountering no opposition, because they were viewed as “liberators” by the Sunni majority who live there.

After this territorial conquest, they proclaimed the establishment of an Islamic Caliphate in the territories they control. And it is clear that they believe to be engaged in a global battle whose final objective is Islam’s victory against the rest of the world.

As the situation on the ground rapidly deteriorated, the US administration looked surprised. The impression is that they did not see any of this coming. Since then, not much has happened, except for the mounting destruction within Syria caused by Assad’s forces, various insurgents, ISIL, and now Russian bombs.

America’s air war

True, after much hesitation, President Obama finally declared that America would fight ISIL in order to finally defeat it. Yes, except that the military effort (a limited air war) is so minimal that many people wonder if America means this or not.

But let’s look at where we are now. With America largely absent, Iran and its proxies, plus Russia entered the fray in Syria. (Iran is also supporting the Shia Government in Iraq in its own fight against ISIL).

Russia and Iran protecting Assad

It is clear that Russia and Iran want to save Assad, even though the Syrian President’s position has deteriorated. Meanwhile, both America and Iran seem to share an interest in dislodging ISIL from its strongholds in Iraq and Syria.

Given all this, it is clear that America cannot even remotely aspire to obtain its old objective of supporting the emergence of a free, democratic Syria. Syria is now a semi-destroyed, hopeless country. Assad is protected by two major powers. And we have no influence there.

Destroy ISIL

What we can and should do is to destroy ISIL, because its very existence fans the flames of a global, if disorganized, jihadist ideology and groups that support it through violent means, (witness the acts of terrorism in France and elsewhere).

I believe that ISIL's ability to convince thousands of young Muslims to engage in "home-made" jihad is vastly over stated. Still, ISIL is a dangerous cancer now firmly planted in the heart of the Middle East. It has to be eradicated.

Forget about Syria

As for Syria, let's look at it realistically. Did Assad ever launch any messianic, anti-western movement? No, he did not. Was he behind terror attacks against the US Homeland? No, he was not. He was yet another Middle Eastern nasty autocrat. Unpleasant, yes. But no direct threat to the security of the United States. Bottom line: we can live with him.

No deal with ISIL

But we cannot "do a deal" with ISIL. ISIL needs to be eradicated. Is it possible for Washington to work with Russia and may be even Iran on this? Who knows.

Still, whatever the chances of a serious anti-ISIL coalition, Russia and Iran will continue to support Assad.

As we have no way to convince them otherwise, we better admit this reality, forget about Assad, and focus on ISIL.

US Troops In Syria?

WASHINGTON – What do we make of the announcement by the Obama administration about its decision to send about 50 US Special Operations troops into Northern Syria? Is this part of a larger strategy? Is America about to get serious in its declared fight against ISIL?

No strategy

I would not count on any of this. Quite frankly, it is hard to detect any US strategy. When President Assad reacted violently against any political dissent that was stimulated by the Arab Spring, America did nothing. After the situation in Syria got worse, America made noises but did essentially nothing. When ISIL, taking advantage of the mess in Syria took over a big chunk of the country, America did nothing. Worse yet, when an emboldened ISIL launched its invasion of Iraq from its bases in Syria, Obama reacted with surprise; but continued to do essentially nothing, while blaming (with some cause) the Shia majority government in Baghdad for its failure to establish good relations with the Sunni minority.

The coalition did little

Sure enough, after months of hesitation, Obama announced that America had formed a large and powerful coalition (more than 60 countries, we are told) whose objective was and is to degrade and ultimately destroy ISIL.

Well, notwithstanding a few bombing raids here and there, ISIL is still pretty much in control of a large chunk of Syria and most of North Western Iraq.

Put it differently, America is not winning. (Allowing a terrorist state to keep its grip on a large piece of territory in the heart of the Middle East has huge detrimental political implications. Just by being there, the self-described Caliphate can claim victory. But we shall not focus on this pernicious aspect of the crisis here).

Others stepping in

In the meantime, under ISIL's attack Syria is falling apart, while the US $ 500 million program to train and arm pro-Western Syrian rebels went absolutely nowhere. And now? Now it is an even bigger mess.

Iraq is openly supported by the Iranians in its fight against ISIL. Assad is supplied by the Iranians and is assisted by Hezbollah fighters. Most recently, Russia decided to intervene militarily in order to support Assad. It may impossible to regain control over the entire country, but at least Russia will to its best to allow its weakened ally to keep a piece of it, while Moscow will retain its valuable military bases.

What about America?

And what about America? Well, who knows, really. The anti-ISIL "Grand Coalition" was and is a fiction. The US-led military effort against ISIL is modest, in fact pitiful.

And now, what? Well, now Washington is sending about 50 military advisers to help the Kurds in Northern Syria.

Not what I would call a game changer.

[Ukraine Should Accept Defeat, Focus On Its Economy]

WASHINGTON – The Ukraine story of brave pro-democracy forces resisting Russian aggression has turned into a horrible mess that nobody wants to talk about anymore.

Incompetence in Kiev

What is amazing in all this is the naiveté mixed with gross incompetence displayed by Ukrainian President Petro Poroshenko. He is leading a virtually bankrupt country that relies on Russian natural gas for its survival. At the same time his government is trying to resist a Russia-funded and inspired proxy war in the East.

As we know, Russia claims that it has the duty to "protect" the ethnic Russians in Ukraine who are threatened by the extremists and rabid nationalists now ruling in Kiev. This "justification" is clearly a joke; but it does not matter. The Russians will not budge.

Well, given this semi-overt Russian aggression, will someone help Ukraine, in any tangible way? Will the West arm a poorly equipped Ukrainian army, in order to allow it to resist? The answer is a clear and resounding "No".

The West will not help

Sure enough, the US and Europe have made all the right noises. They have publicly and repeatedly condemned Russia's behavior. They have enacted economic sanctions, and so on. But they will not –repeat, will not– give any meaningful military help to Ukraine.

Whether this is a wise course of action or not, at this point it does not matter. There will be no changes. Do not expect

President Obama, with a little more than a year left in office, to start a war by proxy with Russia in Eastern Ukraine. No way.

Accept defeat

That said, what should Ukraine do? I said it long ago, and I shall say it again: *“Cut your losses. Accept defeat. Accept the loss of Crimea and of the Eastern Provinces de facto controlled by Russia through its ethnic Russian militias”.*

Of course this would be terrible. No head of state would want to preside over loss of territory and humiliation. Nobody gladly surrenders to naked aggression.

But the point is that, by rejecting to acknowledge its desperate situation, Poroshenko is simply prolonging the painful agony of his country. As sad as this may be, Ukraine will get no help. Period.

Bankrupt country

Let me say it again. The country will get no real military help from the US or Europe, while it is essentially bankrupt. Even without a messy war that absorbs precious resources, It would take years of dedicated efforts to revamp Ukraine’s semi-devastated economy.

Therefore, unless you are totally insane, it is simply impossible to believe that the Kiev government has the resources and the ability to promote meaningful economic growth in the rest of the country, while spending inordinate sums of money fighting an insurgency bankrolled by Moscow in the East.

The best that any Ukrainian leader could do would be to acknowledge the facts. 1) Russia will not let go of the Ukrainian territories it has conquered. 2) The West will do essentially nothing about it. 3) And, crucial detail, the West will not arm the Ukrainian armed forces. 4) At the same time, Ukraine is broke, while it needs to buy natural gas from Russia –its enemy.

Only a lunatic could believe that by prolonging this hopeless fight, by not accepting defeat, President Poroshenko is really serving the long term Ukrainian national interest.

A United Front Against Russia? Not Really

WASHINGTON – Just a few days ago the G 7 Leaders, assembled in Germany for their annual meeting, discussed the conflict in Ukraine and reiterated their stern warnings to Russia. *"You should stop your support for the rebels in the East. If you do not, we are going to get really tough on you. We shall impose additional economic sanctions".*

United front

In other words, the 7 most important Western nations, (US, Canada, Japan, Germany, France, Great Britain and Italy), wanted to tell Russia, and the world, that they are carefully monitoring the situation in Ukraine, and that they stand ready to act, if Russia's behavior does not improve.

So, there you have it. A strong, united front against the universally condemned rogue state. A united front that hopefully will inspire other countries to hold this line. It looked good…*For about 2 minutes.*

Welcoming Putin to Italy

Indeed, just days after returning from the G 7 hosted by

German Chancellor Angela Merkel, Italian Prime Minister Matteo Renzi welcomed Putin, the *Super Bad Guy*. Yes, he welcomed Russian President Vladimir Putin who came to Italy to visit the Expo in Milan. There was a cordial meeting, in which some light jokes were exchanged, we understand.

Some display of a united anti-Russia front.

Friendly Turkey

And just a few days later we see Vladimir Putin in an official picture with Turkish President Tayyip Erdogan. Whatever can be said about Turkey's complicated politics, until further notice Turkey (while not a G 7 member) is still a major NATO Ally. And we know that NATO high officials have repeatedly expressed serious concerns about Russia's military involvement in Ukraine, and about the risks that this illegal use of force presents for European security, and potentially for some NATO countries. Does any of this concern Erdogan? Apparently not that much.

Look, we cannot say that we are back to "business as usual" regarding Russia's relations with the West, and with America in particular.

Cracks

However, the anti-Putin united front presented at the G 7 meeting is just not credible. It has too many cracks. Italy's Renzi surely appreciated that hosting Putin just days after he had joined the G 7 chorus condemning Russia would let the whole world see that tough talk is not followed by tough actions. And yet he hosted Putin anyway.

He probably counted on the fact that the Italians could not care less about Russia, Putin and Ukraine, and that America is in no position to issue condemnations.

While the economic sanctions imposed by the West certainly hurt Russia, there is no indication that Putin’s continuing misbehavior regarding Eastern Ukraine will trigger a real crisis. A new Western hard line can work only if there is a truly united front.

Based on what we have just seen, I would not count on Italy or Turkey to be part of it.