

Saigon, Mosul Or Suez?

Situated at the gateway between Asia and Europe, Afghanistan has a long and unfortunate history of domination and strife by foreign conquerors and internally warring factions. After years of a US presence in the region, the country descended back into chaos when the Afghani government collapsed on August 15th, as the Taliban regained a stronghold (some might say stranglehold) over most of the country. Despite promises for peace, order, and amnesty, the reality has been much starker and darker in the weeks following the Taliban's resurgence.

On Thursday, the Pentagon confirmed an explosion near Kabul's airport which resulted in a significant number of US and civilian casualties. In the wake of the attack, US officials suggested ISIS-K – a sworn enemy of the Taliban – was responsible for the attack, pointing towards the likelihood of additional mayhem and extremism in the region and beyond.

This week, we are presenting a missive from Evergreen's partner Louis-Vincent Gave on whether the crisis in Afghanistan will have any long-lasting market, financial, or geopolitical implications. For those that missed it, Louis also sat down with Evergreen partner Jeff Otis this week to discuss Afghanistan, China, and "De-Dollarization", including how social and political issues in Afghanistan could impact markets. For those interested in hearing more on the subject, tune into the [deep dive conversation on Spotify](#).

The images of US diplomats scrambling onto jets at Kabul airport, of Afghan refugees fleeing to Iran, Pakistan and Tajikistan, and of the Taliban entering Kabul with barely a shot fired are disturbing viewing. For investors, the question is which is the closest historical parallel. The flying helicopters and evacuated embassies recall Saigon in 1975. The speed of the humiliation evokes the 1956 Suez Crisis. And the images of the Taliban parading captured US tanks and artillery pieces recalls the 2014 seizure of Mosul by Isis. Whether Kabul is a Saigon, Mosul or Suez moment will cast a long shadow.

With hindsight, the collapse of the US-trained Iraqi army in June 2014 and the capture by Isis of Mosul had almost no long-term geopolitical or market consequences. This is not to ignore the suffering of the civilian populations that fell under the savage rule of Isis. But outside Isis-controlled territory, life continued more or less as normal. Perhaps the defeat of the Afghan army will go down in history as a similar event, casting a similarly short shadow. The British got a bloody nose in Afghanistan in 1842, in 1880 and again in 1919. Yet these defeats had no impact on the broader British empire.

It was still possible to talk about the British empire with a straight face until 1956. Then the Suez crisis saw the notion of British (and French) empire crumble in days from accepted principle to sneering put-down. In little over a week, it became clear to all that the era of the European empires was over and that the world had entered a two-superpower age in which the US and the Soviet Union called the shots. In 1991, the idea of the Soviet Union as a twin superpower was finally buried, and since then we have lived in a single superpower world. Will the fall of Kabul now bury belief in a world led by the US as its sole superpower?

Certainly, China is no longer hiding its ambition to become a superpower. As Beijing expands its influence across Asia, its diplomats argue that while the US is in the region today, Asia may not always be a priority for Washington. In contrast, China has no choice but to be involved in the

region.

The US withdrawal from Afghanistan emphasizes this point. Imagine being a Japanese, Korean, Taiwanese, Indian or even an Australian policymaker today. After the weekend, would you be more, or less, likely to trust the US protective umbrella? And so, would you be more, or less, likely to try to patch up any differences and make friends, with China?

If this is true for Asia, what about the Middle East? Or Europe? Watching the images of the US fleeing its Kabul embassy, will Iran conclude that this is a good time to test the resilience of the regime in Saudi Arabia? And will the Saudi royal family start to question the value of the US security promise? Will the Ukrainian president conclude that it is in his country's long term interests to turn its back on the West and make up with Vladimir Putin? And will Germany decide that turning east (where its economic compass is pointing) makes more sense than facing west?

For Europe, will the Kabul crisis mean an increase in tensions with Turkey? As Afghan refugees head west through Iran and Turkey, heading for Europe, will Recep Tayyip Erdoğan again use flows of the displaced to exert leverage over Europe? With elections approaching, it is hardly likely the governments of Germany and France will welcome a free inflow of Afghans, lest they fan support for the far right. But is Europe willing to send ever-larger checks to Ankara in a bid to avert a humanitarian disaster?

At this stage, there are more questions than answers. However, all these questions highlight that while for Afghans the fall of Kabul is about the future of Afghanistan, for everyone else the fall of Kabul is about the US and the future of its role in the world.

In the US itself, the fall of Kabul may have domestic political implications. Will Joe Biden's Democratic Party pay the price for the defeat in 2022's midterm elections? Neither Gerald Ford nor Jimmy Carter ever recovered from their foreign humiliations. How will US military prestige survive a defeat at the hands of untrained farmers driving Toyota pickups? And if it is US policymakers that get the blame, as seems likely, won't this risk a wider loss of faith in the political will of US leaders when it comes to foreign policy?

All these questions boil down to one: will the fall of Kabul prove a Mosul moment, in which the US retreats from an area of limited geostrategic importance with few long-term consequences; or will it be a Suez moment, when it becomes clear that the old world order has changed irrevocably?

If it is the first, the investment consequences will be limited. If it is the second, and the days of the single-superpower world are over, then the fall of Kabul will be bearish for the US dollar and the US treasury market, and bearish for the countries "free-riding" under the US security umbrella. Conversely, it will be bullish for the renminbi and the renminbi bond market, as China is the rising power in Asia. It will be bullish for the ruble and Russia's bond market. It will be bullish for oil, given the chance of heightened tensions in the Middle East. And it will be bullish for gold, the ultimate antifragile asset at times of geostrategic strife.

Personally, I hope this is a Mosul moment. But I fear it will prove a Suez moment instead.

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