Is today one where everything changes?

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Putin has his troops on what most countries think to be Ukrainian soil this morning. Talk of sanctions is in the air. The fear as to what Putin will do next is palpable. Markets are already reacting with oil prices up about three per cent overnight. The UK cabinet meets this morning.

I am not going to forecast what will happen in any war: I simply do not know.

Nor am I going to suggest what sanctions might be imposed by the West, or how effective they might be. I, again, simply do not know.

But what I do know is that one of my few predictions has proved to be true. Putin waited until the Winter Olympics were over before acting. China is his vital ally, and we dismiss their reaction at our peril. I wrote this on 12 February:

My economic concern is not for energy prices, significant as they are. Instead I note that China has very deliberately aligned itself with Russia, and that Russia appears to be very deliberately deferring any invasion until the Winter Olympics in China are over. The chance that that is by accident is remote.

It is also incredibly unlikely that China would want to be directly involved in any conflict in Ukraine. There will be almost no benefit from such an engagement for it. But, it does not need to take any such action. All it has to do to create mayhem for the West by disrupting supply chains for the products that it supplies and economic turmoil will be guaranteed in the economies of the countries that oppose Russia.

Supply chain disruption during the Covid crisis must have convinced China of the economic power that it holds over a great many economies in the world. It does not need direct investment, or ownership of assets, or the purchase of influence to create a stranglehold on the economies of countries like the UK. All it needs to do is to withhold supplies of the goods that we want to purchase from China and it can, quite deliberately, and with planned aforethought, guarantee very high levels of economic disorder that threaten our economic stability.

In complex, integrated, global supply chains we saw during the Covid crisis that the limitation of supply of just some components could create disruption. The shortage of chips to the motor industry was a perfect example of that. I have no doubt at all that this will be China's weapon of choice when it comes into conflict with the West to support its ally Russia after we seek to impose probably futile economic sanctions on the Russian economy.

In that case, anyone who thinks that this conflict is without economic consequence for the UK in coming weeks, months and most likely, years is fooling themselves. With luck not many people will die as a direct consequence of the dispute in Ukraine. That, at least, is my hope. However, this dispute has the potential to create greater consequence for the economies of the West than the oil conflicts of the early 1970s, and the resulting price increases did. Mayhem might be coming our way.

The possibility of conflict between East and West has existed for a very long time, always constrained by the fact that all the might seemed to rest in the West. That, however, is simply not true anymore. The locus of control has shifted to China. That's not because of its military might, formidable in terms of numbers that this might be. It has instead been quietly engineered by making China the labour source and supplier of cheap products to the world on which the economies of the West have become entirely dependent.

How dependent? A simple example is blood testing tubes. China makes them. Our health service is dependent upon them. Without them, our healthcare collapses. That's how dependent we are. China does not have to do much to make us come begging.

What are the potential outcomes here? Who knows with Russia? At best an agreement in Ukraine will be forged. Part will become Russian again. The rest will be barred from NATO and EU membership. We could have agreed that long ago.

But what happens with China? Will they make us realise that we now run to their tune? It's hard to see why they will not. If so there will not just be a major redistribution of power from the West to China, but also a major redistribution of economic resources as well. China has an economy that is in at least as perilous a state with regard to debt financing as those in the West, after all. Why wouldn't it want to exploit its financial power to solve its own domestic crises?

The chance that we are seeing the start of a fundamentally new economic era, starting today, appears to be quite high.

That we might not enjoy it is very likely.