

NZ Debt Capital Markets Summit - Kanga  
Hilton Hotel, Auckland

## **A NZ View of the Current Geopolitical Landscape**

Terence O'Brien Senior Fellow CSS:NZ

2 August 2017

It seems to be part of human nature that succeeding generations each imagine they exist in a world at a time of transformational change. Yet dimensions of change as they affect a country, a community or an individual often take time fully to emerge, and to comprehend.

In 2016 two events - the British decision to quit the European Union (EU) and the election of Donald Trump as US President - reinforce a present sense of indomitable change in global affairs, even though we are far from sure about all the consequences, which will be long term. There is a deluge everywhere of analysis and prediction. Both events were the result of democratic choice where voters rejected established political convention, and signalled a rise of what we now call populism

### **Causes of Change**

Both events also reinforce one basic point - that international relations and therefore the geopolitical landscape - are irrevocably conditioned by domestic factors. It is rash to generalise. But the mood in both Europe and the US was one of grievance about inequality - not just inequality of income although that played a part – but inequality created by entrenched influence of political elites, remote unelected bureaucrats, wealthy individuals and big corporations who were perceived to suborn politics and, indeed, democracy itself. Inequality about rights and opportunities together with feelings of powerlessness and a collapse of social trust, therefore produced political earthquakes on either side of the Atlantic.

The slogan that political contest in 2016 was one between 'patriotism and globalisation' captures the grievance mood <sup>1</sup>. There was resistance to the perceived deficiencies of globalisation and the liberal economic reforms first pioneered in the 1980's by Britain and the US. On top of which long lasting pain inflicted by the 2008 global financial crisis (GFC) upon people in both countries

---

<sup>1</sup> Slogan coined by right wing candidate Marine lePen in 2017 French elections

was a contagious influence. The fact that the big banks and financial institutions whose profligate behavior caused the GFC were bailed out by governments fuelled grievance. The point in all of this is that wounds which produced the turbulent outcome in both places, are largely self-inflicted. They serve to subtract from the reality and aspirations of modern western governments to be leaders in the world.

## **United States**

The American political system seems now to have lost an ability to create broad coalitions that solve complex issues. This predates Donald Trump's arrival in office. It was clear beforehand that an overly rigid governmental structure despite its vaunted checks and balances, invented in another distant era, has been captured by money, special interest groups, sensationalist media and ideological antagonists. That at least is the opinion amongst serious Americans themselves<sup>2</sup> who doubt the US now commands the flexibility, resourcefulness and capacity to reinvent itself which it has displayed in the past, and which assured predominance on the geopolitical landscape.

Absolute US military superiority remains indisputable but after 20 years and more of endless war in the Middle East, is that sufficient on its own for global leadership especially if moral authority is receding? That is the question which the Trump administration will decide one way or the other although it is presently paralysed by internal strife and obsession about Russian interference. Reputable American commentators themselves rate the problems of domestic political dysfunction inside the US governmental system, an appreciably greater threat to American primacy than terrorism or turmoil in the Middle East or Asia.

## **Newly Emergent States**

The political earthquakes in Europe and the US coincide moreover with wider seismic shift at the centre of gravity in the world economy. A group of newly emerging economies principally in Asia have over the past 40 or so years grasped the opportunities provided by globalisation to record rates of economic and social progress that are historically unequalled in scale and speed. China leads the way. The goal posts on the international economic playing field are changing and, in the process, altering the global pecking order.<sup>3</sup>

Progress will not necessarily be smooth. Setbacks may in the normal way, occur. Important structural adjustments to China's authoritarian government system plus the eradication of corruption will amongst other things, condition China's advance.<sup>4</sup>

---

<sup>2</sup> Zakaria F. The Post American World. Allen & Lane. 2008. Pp210-214

<sup>3</sup> Rachman G. Easternisation. Bodley Head, London. 2016. pp 58-59

<sup>4</sup> Shambaugh D. China's Future Polity 2016. pp98-136

However newly emerging powers are already demonstrating that to be modern and successful in this world does not require that a country first become Western or necessarily democratic.

## **Democracy & Legitimacy**

Over several decades, Western governments led by the US championed the spread of liberal democracy as the ideal for national self-fulfilment and political legitimacy. It is not clear yet whether President Trump with his strident outcry of 'America First' actually embraces that traditional pathway of values driven external policy; nor the principle of collective response with others to prevailing global problems of poverty, resource depletion, environmental destruction and the like.

All the signs are anyway that greater diversity is inevitable as the tectonic plates shift below the global economy. There will be different versions and definitions of capitalism, of democracy, even of corruption. There will have to be more inclusive notions about what actually constitutes political legitimacy. The West does not, and will not, have a monopoly on institutions and practices which enables countries to promote welfare of their citizens.<sup>5</sup>

In combination the 2016 political convulsions in the Atlantic world and those trend lines in the international economic space, add to suspense and uncertainty. They sharply underline the vital importance of nurturing predictability and therefore of rules based behaviour by powerful and non-powerful governments alike internationally, if we are to navigate ahead successfully. Yet the world's rules based system is under pressure.

## **Rules Based Behaviour**

If the successful newly emergent powers are to accept greater responsibilities as good international citizens which their status now demands, it is logical they be entitled to equality in management of international institutions - the UN, the IMF, the WTO, the World Bank - that provide bedrock for the international rules based system; and which are of course, inventions by powerful 20th century western architects, notably the US.

Successful newly emergent countries certainly anticipate a greater influence. Well before Trump and BREXIT, US and powerful European governments have nonetheless proven quite reluctant to substantively relinquish and share command. EU countries are traditionally solid supporters of a rules based international system. But their first priority in a post BREXIT future will surely be to guard against further disintegration of the EU itself, rather the need to reform and

---

<sup>5</sup> Kupchan C. No One's World Order. Oxford Univ. Press. 2012 p182-205

modernise international institutions. In Britain the first task will be negotiating its European exit and plotting a separate existence in the world. There is some silver lining in the stern resolve of the Europeans, China and others however to champion the 2016 Paris Conference on Climate Change agreement, a critical requirement on the geopolitical landscape.

The 'America First' blueprint of President Trump has resulted in American disavowal of that Paris agreement. This reflects a wider ambivalence about rules based international order. President Trump's trade policy focusses particularly on the size of the American trade deficit with individual countries. It prioritises bilateral dealings to correct perceived inequalities. It envisages unilateral strengthening of America's border defences to protect against implied unfair trading activity by others. Regional multilateral trade agreements (like NAFTA or TPP) are to be discarded or renegotiated.

In all of this there is real danger that such a zero sum trade doctrine will undermine the World Trade Organisation (WTO) and its most favoured nation (MFN) trade principle which has imbued the global exchange of goods over several decades of growth in international trade. In an era where global supply chains and their negotiation are now a defining feature of world trade it is not at all clear just how serviceable or damaging US policy aimed at eliminating US deficit with individual partners, will prove.

### **Exceptionalism & International Rules**

America's sense of exceptionalism as a country charged by destiny to change the world, predates Donald Trump by a long way. The purpose of a rules based international system for the US has traditionally been to ensure privilege for American interests and where that does not eventuate to stand aside from negotiation or the results of negotiation. The list of these US self-exemptions is long.

Thus for example Washington does not formally endorse - the Law of the Sea, the Convention defining Economic and Social Human Rights, the Treaty banning Nuclear Weapon Testing, the Statute establishing the International Criminal Court, treaties banning Land Mines and Cluster Munitions, protocols against the Use of Torture, conventions on the Rights Of the Child , Handicapped Persons, and Discrimination against Women and several more international agreements, all foresworn by the US but agreed by others , including NZ, as the outcome of principled negotiation.

In the 20th century the world owed the US a debt for leadership in creating a liberal international order. In the 21st century given the structural change under way, it is

difficult to imagine however that a viable dependable international system can endure let alone prosper on the basis of 'exceptionalism'. That does not mean that preserving, reforming and extending the system just depends however solely upon the US. Indeed there is now such a profusion of stakeholders and beneficiaries within the thickening web of international rules and institutions, that it is a misconception to conclude that one country, no matter how powerful, will alone dictate progress.<sup>6</sup>

It is however quite possible that the system will become less than universal if particular major powers decline to be involved in any proposed additions to, or reforms of, the system. For smaller countries this potentially presents a difficult choice particularly where those defecting major powers otherwise share tradition. NZ conventionally strives to pursue external interests in company with other "like minded" countries. But how to define "like minded" in the future could become much more problematic.

China has undeniable 'exceptionalist' tendencies of its own. There is no serious evidence to suggest that Beijing intends to confront or overthrow the existing system, even while it asserts a right to a greater place in the management of that system. Beijing' recognises that China benefits from the established rules based order. There is no evidence either that it seeks to usurp American claims (and the costs) of global leadership, nor that it seeks to change the world in its own image, but China expects respect, global influence and regional primacy.

China is meanwhile building the foundations of a 'parallel order' which, it contends, is intended to complement the established system - for example, with the founding of the Asian Infrastructure Investment Bank (AIIB) to complement the World Bank, with a Universal Credit Rating Group to complement Moodies and Standard & Poors, with support for the BRICS grouping of newly emergent powers to complement the G7 of major western powers. In the political domain it champions the Shanghai Cooperation Council (SCO) a grouping of Central Asian countries and Russia. In this process which is likely to continue, China which is intensely realist, is stringing its bow twice - both affirming existing institutions and creating parallel structures. But it is not engaging in serious confrontation with the principle of liberal order.<sup>7</sup>

China is committed to maintaining and strengthening WTO even while the US attachment is uncertain. In size of population, of economy and levels of accomplishment China leads moreover in many fields of modern enterprise – in production of computers, semiconductors, communications equipment, robots,

---

<sup>6</sup> Prospects for the Rules Based Global Order: Centre of Gravity Series: June 2017.  
ANU

<sup>7</sup> Stuenkel O. Post Western World. Polity 2016. Pp 181-205

solar generation and energy, electric motor vehicles and much else. Its ability to conceive and undertake costly, long term, path breaking projects is striking. The launch of a trillion dollar plus transport and technology infrastructure network, the so-called One Belt, One Road (OBOR), spanning Asia/ Europe represents a Big Idea of geopolitical vision unmatched in an Atlantic world beset with multiple challenges and uncertainties<sup>8</sup> And over the past four decades China has lifted 400 million of its people out of poverty - a feat unequalled anywhere in history.

## **Responses to Change**

At times of significant global structural change, larger more substantial nations with history, ambition and traditions of dominance can and do find adjustment difficult. Precisely that challenge now overlays the present geo-political landscape as the US and China come to terms with each other. They have not finally made up their minds whether they are predestined to be strategic adversaries or strategic partners.

America remains by a large measure the most powerful military power in history with its 600 military bases and installations spread around the world, and lavish spending of around \$600 billion plus per year on improving its military strength. This expenditure is some four times that of China. China and Russia have moreover but one foreign base each. Russia's one base is in Syria and this helps explain President Putin's determination that Russia should play a prominent role there in the intractable conflict which endures.

What the present changes to international order indicate is that military superiority alone is not sufficient for leadership. NZ does not want moreover to have to choose sides in whatever rivalries may beset US-China relations. Neither is an adversary who threatens NZ. In the past NZ, as a small modern democracy, with no hard power but with a sense of international responsibility, has displayed capacity for operating successfully below the radar screens of the powerful; and as our foreign interests have appreciably widened, an ability, to roll with the punches in international relations without compromising principle.

Comparatively speaking NZ's strategic invisibility and its physical remoteness coupled with the multiple benefits of swift modern communications technology, provide 21st century geopolitical advantages for the country - but fresh challenges in particular vigilance with others over cyber security, become imperative. Education of its people and preparation of society to address the changes afoot is a vital ongoing national task

---

<sup>8</sup> Alison G. Destined for War. Scribe 2017. Pp125-126 etc.

An even handed NZ approach with Beijing and Washington if it is to be understood and respected, requires a clear balanced NZ understanding of the issues on the geopolitical landscape that are, or will be, at stake. Such aptitude extends well beyond the capability to pursue and conclude free trade agreements (FTA) around the world. It requires a changing national security outlook as well as changing patterns of cooperation and competition. By way of conclusion let us look very briefly at three hotspots on the geopolitical landscape.

### **South China Sea (SCS)**

Media headlines are full of controversy about sovereignty and navigation in the SCS. The sovereignty disputes are longstanding between China and certain South East Asian nations, as well as Japan, over multiple small islands and rocks. Freedom of navigation is however a controversy substantively between China and the US.

This is not the place to weigh the intricacies of all the arguments. But distinctions are important. The navigation dispute is specifically about *military navigation* in the seas around China. It is not about *commercial navigation* as such, where China itself depends crucially on seaborne trade, since some 40% of China's GDP is derived from trade. In that respect it shares precisely the same interest as the US.

On national security grounds the US insists however upon freedom of *military navigation* - maritime and aerial - up to China's 12 mile (22 kilometre) territorial sea which is essentially for spying and intelligence gathering. China asserts such action infringes China's national security interests. It urges that Washington desist. A basic question here including for NZ, is do the security interests of the one trump security interests of the other? It is in fact difficult to judge what extra intelligence the US actually derives from its favoured patrolling practice, which it cannot already obtain with its multiple satellite and other capabilities. On the sovereignty disputes alone, it is difficult to imagine a full scale US—China war solely over uninhabited rocks and islands in the SCS.

### **North Korea (DPRK) Nukes**

North Korean (DPRK) nuclear brinkmanship has, following several recent weapon tests reached new intensity. Fractious, perverse North Korean behaviour fuels outside fears of an irrational DPRK government. The overriding DPRK political objective is however to ensure survival of its regime, which has controlled the country for some 70 years. That regime believes perversely that possession of nuclear weapons provides insurance against overthrow at a time when regime change (particularly in the Middle East) seems an explicit article of geopolitical faith amongst powerful western governments.

Despite all the belligerent rhetoric, the idea that the DPRK would itself launch a first nuclear strike on the US seems improbable. It is keenly aware that American retaliation in kind could obliterate the country from the face of the earth. For the DPRK nuclear weapons capability is therefore intrinsically for deterrence purposes; and possessing that capability is conceived by Pyongyang as well to earn it a place at the table as an equal to negotiate with the US - thus reinforcing the regime's legitimacy as a sovereign power. Washington is adamant that DPRK unequivocally commit to denuclearisation as an absolute precondition to any negotiation. Pyongyang denounces that condition. In all the circumstances available options however to physically halt DPRK nuclear ambition are very narrow.

An American military strike employing high precision weaponry would provoke a DPRK attack upon South Korea and even, perhaps, Japan. An American strike using nuclear weapons would be fraught with unimaginable consequences for North East Asia, risking war with China and destabilising the engine force for the entire global economy. President Trump looks repeatedly to China as the DPRK patron for political pressure on Pyongyang. China on its side presses the US as the principal military power, to cease decades long, large scale military exercising in South Korea which provokes the North; and to indicate readiness for unconditional negotiation with DPRK. The US firmly resists this advice. A new government in South Korea is committed to dialogue with the North and obviously prefers that the US accepts that as well. It is in all the circumstances, the only realistic way forward.

## **The Middle East**

Finally, the very breadth and diversity of US problems in the Middle East overshadow America on the geo-political landscape. They distract US attention from other challenges like those in Asia. Just how many balls can even the mightiest power keep in the air at the one time'?

Since 2001 the so-called global war on terror (GWOT) has dominated America and been exercised as an organising principle for US leadership. It is war against a tactic not an enemy country. Recent successes in Iraq and Syria against groups committed to establishing a new Islamic state are encouraging but cannot disguise the fact of the widening conflict in Yemen, Libya, Sinai, Afghanistan as well as Syria and Iraq; and that complete victory seems a deception, particularly if basic causes and previous mistakes are not recognised.

The consequences of earlier miscalculations lie in the form of thousands upon thousands of refugees both within the region and spilling out to Europe – thus



creating serious discord amongst governments there over responsibility for bearing the burden. These are monuments to serious miscalculations in the region by outsiders - the 2003 US led coalition invasion of Iraq being a paramount example.

Terrorist groups which are only a small minority in the world of political Islam, feed off mistakes and grievances at a time too when Islam itself confronts impacts of globalisation that have, as elsewhere, dislocated culture, beliefs and social stability; and where after a brief interlude of democratisation during the so-called 2011 Arab Spring, repressive governments have asserted control in many capitals with tacit or otherwise approval of powerful outsiders.

In absolute terms the threat posed by terrorism to the world's geopolitical landscape should not be exaggerated. The existential dangers are nowhere as great as those posed for example by the Cold War and the prolonged 40-year nuclear confrontation between US-USSR. The physical existence today of the US, or of other countries, is not endangered by the fact of Middle Eastern irregular warfare and terrorism, despite its cruel reach that now extends into Europe and elsewhere. There is of course no excuse at all for not strenuously pursuing eradication of the causes of terrorism, and the restoration of peace and stability in the Middle East.

Two related actions would assist in that task. First a genuine effort be made to finally end the Israel-Palestine conflict on the part of the US, in particular by employing leverage over Israel which America undeniably possesses especially in respect to the illegitimate expansion of settlements to seize territory. It is gently ironic that American unwillingness here to use the power and influence of the patron over its client, mirrors similar reluctance on the part of the Chinese over its client, North Korea. American willingness to do so in Middle East would strengthen Washington's ability to persuade the Palestinians to accept a reasonable outcome.

Second, to build upon the foundations for a better relationship with Iran which were fashioned under President Obama with the agreement (in company with others) to halt and verify Iranian nuclear weapon development. President Trump rejects that agreement. Iran is the largest non-Arab country in the region and with a degree of democracy that contrasts forcibly with authoritarian rulers in most of the Arab world who enjoy American support and lavish access to US armaments - whilst some are funders of terrorism. The mounting US demonisation of Iran actually denies geo-political reality inside the Middle East. It serves to compound as well those mistakes that today litter the regional and global geopolitical landscape.

\*\*\*\*\*