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## **State of the world**

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Nobody can deny that currently the world situation is very volatile. Though we have, apart from Syria, no major open war as had been the war in Indochina or the Korean War. However, the number of smaller conflicts and particularly the crisis potential in many parts of the world make people feel that they live in particularly dangerous times. Ever new terrorist incidents and threats together with the fact that fissures have appeared in regions such as the US and the EU, which up till now had been anchors of stability, have enhanced the perception insecurity. Finally, the resurgence of China as an old/new world power further contributes to general insecurity.

In retrospective the Cold War looks for many Europeans like a “simple” time when one knew who was friend and who was enemy. Ronald Reagan once described the Soviet Union as the “evil empire”. Of course we should not forget that the times of the Cold War had their own tensions and complexities. In those times Europe was divided by a deadly iron curtain and everybody knew that in case of a nuclear war between the United States and the USSR Europe, and most notably the two Germany would be the main battlefield.

Every analysis of the state of the world contains simplifications. We cannot provide a comprehensive overview over the whole world. We will deal here with five security and geopolitical issues:

- 1) The war between predators and settled civilizations
- 2) The old/new hegemon China
- 3) The recalibrating of the United States
- 4) The demographic and geopolitical descent of old Europe
- 5) Acute nuclear threats

### **The war between predators and settled civilizations**

Since times immemorial settled civilizations and predators have fought bitter wars for survival. We may recall the decline and later the collapse of the Roman Empire during the great migration; we may recall the destruction of the Inca and Aztec empires by the Spanish conquerors; we may recall the campaigns of Huns and Mongols to Europe; the invasion of China by the Mongols or the Afghan invasions into India. While settled civilizations make investments and leave a substantial cultural inheritance to future generations, the predators steel and rob what they need through violence.

After the whole world had been “discovered”, after the industrial revolution had spread Western civilization into the furthest corners of the earth, and after modern nation states had removed the last white spots on the globe, we thought that things had decidedly turned in favor of settled civilizations. Finally, the enthusiasm for globalization that had shaped the past two decades brought the Western belief that everything was manageable to its apex.

Already the disintegration of Afghanistan after the end of the Russian occupation was a warning sign that maybe not everything had been settled for good. Like the British at the apex of their Empire, the Russians in Afghanistan and later the Americans in Iraq had to experience the negative consequences of “imperial overstretch”. For the British the campaigns into Afghanistan and into Sudan were not necessary to preserve the Empire – on the contrary. For the USSR the occupation of Afghanistan was no existential necessity – on the contrary. And for the US the Iraq was not a priority to secure their super power status – on the contrary!

Many in the West observed the goings on in the Middle East as remote affairs. However, the rise of ISIS destroyed this feeling of living in a comfort zone. Terrorist attacks, which aim to hurt and shake democratic societies, are nothing new. New is since the emergence of Al Qaida the nexus between religion and terror, the use of a religion, Islam, as an ideology to fight Western values. In the case of ISIS the nihilism is even more pronounced as is evident in such slogans “you in the West love life, we love death!”

The special nature of Islamist terror presents the liberal rule of law with new challenges that have nothing to do with the super power rivalry during the Cold War. This makes it necessary to calibrate the response of the democracies against their internal and external enemies. Of course the fight against Islamist terror first and foremost has to do with providing the necessary manpower and material resources. But it is also important to face the intellectual challenge the West is facing. Be it in the Islamic world, be it in the West, we must make it clear to the enemy that we are firmly committed to our values and institutions and that we will never compromise these values and institutions.

### **The old/new hegemon China**

The rapid renaissance of China as a major economy and a major power is the most remarkable development of the last thirty years. History of the last 200 years shows that in several cases, when new powers claim their “place in the sun”, the world descends into war. This was the case with Napoleon, with Bismarck’s German Reich, with Hitler’s Third Reich, and with the Japanese empire. It is remarkable that the rise of China has until now been peaceful. This need not remain so for all times to come. In fact, most recently we have been witnessing a more self-confident, more nationalistic and on occasions more aggressive China than in the past.

Without any doubt it is in the interest of the whole world and of the world economy that the transition from the world of the Cold War to a new duopoly in the Asian-Pacific age proceeds peacefully. First of all it is worth noting that unlike with other emerging world powers China has already been once a world power. China is not a novice. On the other hand one should not forget that in the 19th and in a large part of the 20th century China suffered greatly from inimical foreign intervention and that these humiliations have left deep scars.

Superficial commentators see the resurgence of China and the new rivalry between the People's Republic and the United States as the beginning of a new Cold War. First of all history does never repeat itself. Then we should not forget that the East West conflict during the Cold War was a European affair. Adam Smith and Karl Marx were Europeans, and both the US and Russia have strong European roots.

Now, in the Asian century that has started with the millennium, the West sees itself in competition with a totally different world, which has been shaped by Asian values and Asian religions. Obviously, for the foreseeable future we will have to live with an American-Chinese duopoly. This, however, must not be compared with the American-Russian duopoly. China has its very own interpretation of its global role, which is shaped a long history and by remarkable cultural/civilizational continuity.

Essentially we are witnessing the return of the hegemon. The understanding of the role of the hegemon is very different from that of an imperial power. While European powers like the Netherlands, France and Great Britain acquired colonies around the world, often very far away from their own shores, the Chinese overseas communities have always lived and worked under local authorities. During the time of the Dutch rule in Indonesia many more Chinese lived there than Dutch. However, the Chinese never thought of turning Indonesia into an overseas possession of their motherland.

The hegemon sees itself essentially as the center of the civilized world. The more distant from the hegemon the more barbarian is a people. The hegemon wants to be recognized by its neighbors near and far. In some cases this can be linked to the payment of tributes, but in most cases it is a ritual comparable to the kowtow. Often the mere recognition that the center of the world is in Beijing is sufficient.

Part of the hegemonic understanding of power is the refusal of multilateralism and the turn towards mercantilism. In the case of the contentious issues in the South China Sea Beijing refuses to negotiate with ASEAN. Instead every South East Asian nation has to conduct its own bilateral relations with China and has to accept a degree of hegemonic power that corresponds to its own power and standing. Mercantilism, on the other hand, serves the optimization of one's own assets, be it in the shape of currency reserves, be it in the shape of exclusive access to sources of energy and raw materials or be it in the shape of protectionism.

With this background it is understandable that Beijing cannot accept forever the world order that has come into being after the end of World War II. Significantly, at the beginning of 2016 the former monopoly of the Bretton Woods institutions was broken, in that the Chinese managed to establish the Asia Infrastructure Investment Bank (AIIB). However, nobody will be able to deny that China's remarkable modernization

was not the result of mercantilism but of an opening to the world and in particular it was due to a vibrant export industry.

The situation gets more complicated by the fact that in some aspects China is a colossus with feet of clay. The Yuan Renminbi is a good example. Obviously, the role of the Yuan Renminbi and its recognition as a global reserve currency is a key aspiration of the Chinese leadership. In fact the IMF with its recognition of the Yuan as a reserve currency has moved in China's direction. However, we should not forget that even amongst the Chinese the Yuan carries little confidence. The Chinese currency has a long way to go to acquire the credibility and safe haven status of the US-Dollar or even the Euro.

Finally, the overdue modernization of the political institutions shows huge deficits that are part and parcel of the existing system and, therefore, resistant to fundamental reform. Furthermore, the huge population of 1,4 billion people makes China vulnerable on a number of issues, most notably social and ecological ones. Many experts recognize that China will require a lot of time and giant resources to achieve a drastic reform of the existing political structures.

### **Recalibration of the super power USA**

If one takes into consideration military hardware and the dimensions of the national defense budget, the United States are and will continue to be for a long time to come the undisputed and only super power in the world. In spite of the military buildup and in spite of a massive enlargement of its defense budget China will not match the US for a long time. You may ask why then the 21st century is called the Asian century and not, like the 20th century, the American century. The answer rests with the relation between the capacities of the lonely super power US and the nature of the challenges the US faces.

Critics of the Trump administration will of course blame the President for the decline of the influence and of the freedom of action of the super power USA. However, it is a fact that the recalibration has started some time ago. The preeminence of the United States reached its climax at the time of the end of the Cold War, in which the US were the clear winner. We may recall that then many Western thinkers were of the opinion that history had reached its conclusion, as there was no creditable alternative to the liberal democracy and the free market economy. Today we know that the peace dividend did not last for a long time.

„America first“ was the slogan with which Donald Trump succeeded to get into the White House. In the past this might have been indeed the measure of all things, in that foreign governments were judged according to whether they complied with the norms that had been given by the US. This was what one called the “Washington Consensus”. On the basis of this consensus wars were being fought, where the goal was to topple regimes that did not comply with America's values. In the course of time, however, it became evident that such a mission would end sooner or later in “imperial overstretch”. Even as rich a country as the USA had clearly gone beyond what it was capable of. In this context “America first” means that the limited

disposable means must primarily be used for the benefit of the needs and aspirations of the Americans.

Soon enough the European NATO allies had to hear that in the future they will have to pay substantially more for the American umbrella. Japan, too, has to ready itself to pay more for its defense. In view of the fact that the US themselves suffer from huge deficits in their infrastructure and in their national health service, a redistribution of burdens seems reasonable. Furthermore the American lower middle classes had been the big losers of the globalization. Under these circumstances it is only logical that the Trump administration sees “America first” primarily as recalibrating the position of the US in the world.

However, in spite of all intentions by the Trump administration, the USA will not be able to keep away from international crises and conflicts. Washington will not leave the Middle East, Afghanistan or the Far East. There are certain automatisms from which even a reluctant super power cannot abstain. Nevertheless, there is a big difference whether we have to deal with an expansive or a restrictive, reluctant engagement of the US in world affairs.

The recalibration of the American world power will have concrete geopolitical implications. The best example is the contention about islands and sea lanes in the South China Sea. This important part of the Pacific Ocean had already got much attention before Donald Trump became President. The disputes over a number of islands between China and several South East Asian nations date back a long time but have come to the attention to the international media only in recent times.

The US navy continues to be far ahead of the Chinese navy, particularly in its deep sea capacities. Even with China making huge efforts to expand its naval power it will still take a long time for the Chinese to catch up with the Americans. There can be no doubt that when it comes to fight a comprehensive sea battle the Americans are ahead of the ambitious Chinese. The question is whether the US intends to engage to such a huge degree. Looking at the recalibration of its global role as a super power, we deem it highly likely that Washington will accept the Chinese dominance in the South China Sea as a given. The Chinese encroachment has been happening since some time without Washington making forceful interventions.

It would be wrong to expect a repeat of the Cold War in South East and East Asia and to think of a US-Chinese super power rivalry along the lines of the US-Soviet super power rivalry. Asia does not have the kind of military alliances like NATO and the Warsaw Pact in Europe. China has made it clear to the US that as Asian hegemon it will deal with its neighbors – friendly and less friendly ones – on a bilateral and not a multilateral basis. This is evident in the fact that Beijing does not accept that ASEAN plays any role in the South China Sea conflicts.

The age of the US-Chinese duopoly has begun. Around this duopoly Russia, India and Japan can play a role. But any idea of a multi-polar world would be wrong to start with. The world and in particular Europe has to come to terms with the fact that the world order as well as the world economy will be led by the US-Chinese duopoly. This creates new opportunities but also new risks.

## **The demographic and geopolitical decline of old Europe**

Immediately after the euphoric moments of the fall of the Berlin Wall we had the option of a reunited European continent from the Atlantic to the Urals. Europe missed this chance and it is not likely that it will get another similarly historic chance in the future. Instead of a united Europe with corresponding influence in the world we have today a Europa that is partitioned into three and which is witness to a rapid decline of influence in the world. The partition, which is part formal part informal, separates the continent into the Russian sphere, the de facto core-Europe within the EU and a peripheral Europe that comprises states that do not belong to the EU or have not (yet) left it.

Europe's fate has been determined through a number of historic decisions. Firstly, they missed the chance after the collapse of the Soviet Union to end the traditional marginalization of the Eurasian power Russia. Secondly, the introduction of the Euro aggravated the North-South disparity within the EU. Thirdly, Brexit has created new options for an intra-European positioning that can cause tectonic changes quite beyond Great Britain. The latter process can possibly lead to a core Europe and thereby create a foundation from which Europe could once again project its soft power. However, all this does not change much about the simple fact that Europe's position in the world will shrink in the years and decades to come. The marginalization of old Europe in the world need not be an unpleasant prospect. One could share Japan's fate of gently sliding into geopolitical insignificance.

Both, Japan and Europe have in common that their societies are ageing rapidly. Immigration can be a mitigating factor, but unlike Europe Japan does not want large scale immigration. For too long demographics has been seen primarily in the context of Malthus's dire predictions about an overpopulated world and the growth of population outstripping the growth of agricultural production thereby leading to massive famines. Now we are faced in many industrialized countries with the fact that once the process of a shrinking population has set in, the speed of decline rapidly accelerates, as all the girls who are not born cannot create a family.

While the focus is on the social and economic consequences of an ageing and shrinking population, too little attention has been given to the mental disposition of an ageing society. Most certainly pessimism, conservatism and despondency will prevail in such societies.

Even if Europe does not anymore shape world politics, it remains an important continent and cannot afford to disappear into oblivion. Even in the best of times the EU was not a major power in the world. It has a diplomatic presence around the globe but in terms of hardcore economic and diplomatic interests every member state acts on its own.

The minimal tasks, which the EU should finally undertake are two strategic decisions. Firstly, it has to make sure that Brexit does not diminish or even endanger the key task of the EU, i.e. to keep the peace in Europe. Of course there will be bitterness on both sides for many years to come, but emotions should not prevail over the solid task of preserving peace and prosperity in Europe. Secondly, the EU has to finally elaborate a strategy how to deal with Russia. Today Europe suffers from the failure of

not having respected the sensitivities of the Russians after the traumatic event of the collapse of the Soviet Union.

Since the times of Napoleon Russia has shaped decisively the fate of Europe. This will not change in the years to come. Let's not forget that the Soviet Union and the East Block (with the exception of Yugoslavia) collapsed without a military disaster afflicting Europe. In the past big empires did not leave the world stage without massive upheavals. It is remarkable how the Russian people have accepted that their country declined from a super power to a major power, clearly ranging behind US and China. Such dramatic events can cause deep wounds and much frustration, and can provide support to extremist nationalists and ideologues. We merely have to think how the world would be if the Russian President were not Vladimir Putin but the rabid populist and nationalist Shirinowski! The EU and Russia are certainly not an alternative to the G-2 USA/China, but they both can play important roles on regional levels and most notably on preserving peace in Europe.

### **Acute nuclear threats**

During the Cold War the perception of a threat from nuclear warfare was deeply entrenched in public opinion. Think of the public and private civil defense shelters that were built in Germany or Switzerland. Think of the extensive civil protection by nuclear shelters. That after the two nuclear bombs of Hiroshima and Nagasaki no nuclear device was used in war, has created the general confidence that atomic wars do not happen. Nobody wants a return to the often hysterical times during the Cold War. But the question remains how far this feeling of being safe from major wars with the usage of weapons of mass destruction should go. Atomic bombs are still in the arsenals of several countries. The sense of alarm might be less pronounced than forty, fifty years ago. During the Cold War we had the balance of terror or "MAD" ("Mutually Assured Destruction"). Being aware that the opponent has the necessary capabilities for a deadly second strike had effectively prevented the outbreak of nuclear war between the two super powers. However, the danger of nuclear war has not disappeared but has acquired new dimensions that are no less dangerous than those in the times of high tension during the Cold War.

The Asian century is generally seen as a great opportunity for the global economy. This is correct if one looks at the growth figures and the economic developments during the past three decades. However, one should also not overlook the fact that in the Asian century it is most likely that major conflicts and wars will erupt in Asia. It cannot surprise that the two most acute nuclear centers of conflict are in Asia, in South Asia on the Indian subcontinent and on the Korean peninsula. In both cases we have to deal with scenarios where "MAD" might not work. In the case of North Korea we have a regime over which even China may not have much influence. Against all opposition North Korea has developed its nuclear and missile capabilities. Today this poverty stricken small country stands on the threshold of acquiring a ballistic missile with a nuclear head that can reach the mainland of the United States.

In South Asia we have, since the partition of the Indian subcontinent, the unresolved conflict between India and Pakistan. In recent decades this conflict, too, has acquired

a nuclear dimension. The short distances involved and the rather inadequate management of conflict and engagement can escalate the already high risks. Even more alarming might be the prospect that Pakistan's nuclear arsenal falls into the hands of Islamists, who could deploy the nuclear bombs against those they deem heretics and pagans. In dealing with the ISIS or Al Qaida the strategy of "MAD" does not work as both pursue their nefarious goals even at the cost of self-destruction. Far beyond the region the nuclear threats by Pakistan will remain a special danger for decades to come.

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