

The Geopolitical Consequences of the Global Recession – A Caution

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The Roman Cicero, always the strategist, notes that, “The causes of events are ever more interesting than the events themselves.” So it is geopolitical “causes and effects,” geopolitical modifications that we are exploring this afternoon and I want to stress this at the outset of my presentation -- lasting structural alternations in the international system. We are not examining passing transitory events caused by this crisis. We are not addressing the longer lasting economic consequences of the global downturn. It is geopolitics that we concentrate on today. By this I mean the art and practice of the application of power by individual nations in the international domain, and use the term as did its originator, Rudolf Kjellén, a Swedish political scientist at the beginning of the 20th century.

The great British historian, J. R. Roberts, reinforces the importance of our subject, “...however startling may be some of the ways in which history unrolls, surprises always turn out to have their histories. Their roots are worth study; they help to make apparent discontinuities explicable, logically related to what came before them.” So in this spirit, let’s take out our analytical scalpel and go to work trying to identify causal connections between the global recession and geopolitics.

The geopolitical consequences of the world economic slump obviously depend to a crucial degree on how long this crisis lasts. For our purposes here, I will posit that led by the US, the global recession will end in a technical sense at the latest in the first half of 2010. Obviously, if the recession lasts much longer or spirals into a global depression, then basic geopolitical adjustments become more likely.

To begin, let’s look at the recessions that have affected the United States to see if there are lessons regarding the current one. From 1945-2009 the National Bureau of Economic Research has identified 12 US recessions; their average duration was 10 months (peak to trough). I will mention only the most serious. But before that, one must take note of The Great Depression of the 1920s-30s because many analysts mention it in the context of the current downturn. Stock markets crashed worldwide, and a banking collapse took place in the United States. This sparked a global downturn, including a second severe recession. (The Recession of 1937 is only considered minor when compared to the Great Depression, but is otherwise among the worst recessions of the 20th century.)

Returning to post-1945, there was the 1973 oil crisis and the 1973-74 stock market crash. A quadrupling of oil prices by OPEC coupled with high government spending due to the Vietnam War led to stagflation in the United State. The Iranian Revolution sharply increased the price of oil around the world in 1979, causing the 1979 energy crisis. This was produced by the new regime in power in Iran,

which exported oil at inconsistent intervals and at a lower volume, forcing prices to go up. Tight monetary policy in the United States to control inflation led to another recession. In the year 2001, another recession hit America. The collapse of the dot.com bubble was the main cause, as well as the attacks that occurred on September 11th on the World Trade Center Towers in New York City. Accounting scandals also ran rampant, contributing to the overall downward financial spiral that America faced.

Putting aside the Great Depression, did any of these post WWII US recessions result in deep structural alterations in the international order, a fundamental change in the behavior of individual countries? Not as far as I can tell. I wonder what that might tell us about the geopolitical consequences of the current recession. Director of National Intelligence Dennis Blair in his February 12, 2009 testimony to the Senate Select Committee on Intelligence on the Intelligence Community's Annual Threat Assessment stated, "The primary near-term security concern of the United States is the global economic crisis and its geopolitical implications." Blair's preoccupation has been reflected in a flood of recent articles on geopolitics and the global recession, many of which predict enduring consequences for the international system.

So what can we see so far: The recession will cause the fall of governments (Iceland, Latvia, Estonia, Hungary, and the Czech Republic, more to come). It will lead to more poverty, more disease, more crime, more migration, and more Third World military conflict. It will trigger street violence in numerous countries which has already occurred in Greece, China, Haiti, Latvia, Bolivia, Bulgaria, Russia, Italy, Ireland, Iceland and Lithuania. It will increase Third World questioning of the Western economic model – Luis de Silva, President of Brazil, asserts that, "This crisis was caused by the irrational behavior of white people with blue eyes, who before the crisis appeared to know everything and now demonstrate that they know nothing."

It will over time make the G-20 more influential than the G-8. It will marginally accelerate in the next decade more influence by rising powers in international organizations, beginning with IMF voting rights, but it will not lead to reform of the UN Security Council. It will result in greater national and international financial regulation. It will trigger more pressure on defense budgets in most nations. It will accelerate world trade protectionism and result in no more progress in the Doha Round. It will weaken national measures around the globe to reduce carbon emissions.

That is a daunting list but will all these combined developments cause any serious structural change in global politics writ large over the longer run? I am not persuaded. Here is what my reading of history suggests. Yes, there are transcending events that fundamentally alter the international system. The French Revolution brings on Napoleon and 20 years of war in Europe. The Bolshevik Revolution produces 70 years of Communist rule in Russia, and the Soviet Empire. The Great Depression reinforces the collapse of the Weimar Republic, the advent of Adolf Hitler, and World War II. The World War II defeats and the subsequent foreign occupations of Germany and Japan profoundly alter the international orientations of those countries. The Chinese Communist victory in 1949 launches a wholly different Chinese foreign policy in the succeeding decades. German Unification results in the end of the Soviet Empire in East and Central Europe and then the disintegration of the Soviet Union.

Will there be corresponding substantial modifications in the art and practice of power in world politics as a consequence of the current economic crisis? We have all heard Chou Enlai's alleged comment on the significance of the French Revolution, "it's too soon to tell" but in my judgment there is much

speculation but no evidence as yet that such changes will occur. The many who prophesy such elemental international shifts either use examples at the periphery of world politics (the Government in Hungary falls/a growing humanitarian tragedy in Sudan) or foresee geopolitical spasms that might happen (China implodes/America retreats), but have not occurred.

Moreover, perhaps you will agree that as humans, we often naturally tend to exaggerate the importance of what is happening to us at any particular time, and we just as frequently miss the really seminal moments in our lives as they are occurring. This is also true of international politics.

So let's try a Hegelian thought experiment. It is five years from today. Let's posit that indeed there have been lasting geopolitical effects produced by the current economic crisis. What might they be? Let me suggest that in the first instance as I indicated earlier, this would likely mean major changes in the external policies and interrelationships of the major global powers; possibly acceleration in nuclear proliferation; and perhaps substantial shifts in the futures of Pakistan, Afghanistan, Iraq and/or Mexico. (You may want to add to the list; please do.) Keeping in mind Aristotle's definition of analysis – "to illuminate through disaggregation," let's very briefly take a look at each of these possible structural changes in the international system in turn.

The United States – To remind, we are looking five years into the future. During that period, did the current global recession weaken the political will of the US over the long term to defend its external interests? Many analysts are already answering that question in the affirmative. As a result of what they see as the international loss of faith in the American market economy model and in US leadership, they assert that Washington's influence in international affairs is bound to recede, indeed is already diminishing. For some, the wish is the father of that thought. I must say, I see no empirical evidence for this assertion. From South Asia, through relations with China and Russia, through the Middle East peace process, through dealing with Iran's nuclear ambitions, through confronting humanitarian crises in Africa and instability in Latin America, the United States has the unchallenged diplomatic lead. Who could charge the Obama Administration with diplomatic passivity since taking office? Indeed, one could instead conclude that the current global economic turbulence is causing countries to seek the familiar and to rely more and not less on their American connection.

In any event, foreigners often underestimate the existential resilience of the United States. I commend to you George Friedman's new book, "The Next Hundred Years" and his view that the US will be as dominant a force in the 21st century as it was in the last 50 years of the 20th century. So once again, those declinists who now predict, as they have in every decade since 1945, American decay and withdrawal will again be wrong -- from John Flynn's 1955 The Decline of the American Republic, to Paul Kennedy's 1987 The Rise and Fall of Great Powers, to Andrew Bacevich's 2008 The Limits of Power: The End of American Exceptionalism, to Godfrey Hodgson's 2009 The Myth of American Exceptionalism and many dozens of similar books in between. Indeed, let me emphasize here my strong view that the policies of the Obama Administration, for better or worse, are likely to be far more influential and lasting regarding America's longer-term geopolitical power projection than the present economic recession.

To sum up regarding the United States and the global recession, former Council on Foreign Relations President Les Gelb in his new book, POWER RULES: How Common Sense Can Rescue American Foreign Policy, insists that a nation's power "is what it always was — essentially the capacity to get people to do what they don't want to do, by pressure and coercion, using one's resources and position. . . . The

world is not flat. . . . The shape of global power is decidedly pyramidal — with the United States alone at the top, a second tier of major countries (China, Japan, India, Russia, the United Kingdom, France, Germany and Brazil), and several tiers descending below. . . . Among all nations, only the United States is a true global power with global reach.” The current global economic crisis will not, in my view, alter this reality. True today, true in five years. And the capitalist market model will continue to dominate international economics, not least because China and India have adopted their own versions of it.

Lew Kuan Yew in a speech a few weeks ago agrees, “After the crisis, the US is most likely to remain at the top of every key index of national power for decades. It will remain the dominant global player for the next few decades. No major issue concerning international peace and stability can be resolved without US leadership, and no country or grouping can yet replace America as the dominant global power.”

Let me now turn to China. Five years from today, did the recession undermine the grip of the Chinese Communist Party on the PRC? No. Again, as the Minister Mentor stressed in the same recent speech, “China has proven itself to be pragmatic, resilient and adaptive. The Chinese have survived severe crises – the Great Leap Forward and the Cultural Revolution – few societies have been so stricken. These are reasons not to be pessimistic.” I concur entirely. Did the crisis make Washington more willing to succumb to the rise of Chinese power because of PRC holdings of US Treasury Bonds? No. Did it alter China’s basic external direction and especially its efforts to undermine the US Alliance system in Asia? No. Did it cause the essence of Asian security to transform? No.

Please let me develop these themes. China has arrived. On issue after issue, it is the second most important global power, after the United States. In 2007, it contributed more to global growth than the US. It has become the world’s largest consuming nation, surpassing the US in four of the big five in food, energy and industrial commodities. China has lifted 400 million people out of poverty in past 30 years, a truly remarkable achievement. China has already overtaken Russia as the second largest defense spender after the United States. China is now the leading emitter of CO₂. It has been the core manager of the Six Party talks concerning North Korea. Reinforced by its sophisticated, reassuring and effective diplomacy, it is the most aggressive nation in seeking energy resources in the world. By any measure these are extraordinarily statistics.

Yet as we all know China also has major vulnerabilities. It remains governed by an authoritarian regime. The Communist Party has little organic legitimacy and it seems questionable if the Communist leadership now has “The Mandate of Heaven.” Political reform moves at the speed of a glacier. There are tens of thousands of peasant protests each year. How can the Party retain control in an increasingly complex, modern, materialist society? Decentralization to regional and local levels is now prevalent in China's power and politics. From greenhouse emissions to national tax collection, the edicts of the central government are often ignored. Gaps between rich and poor grow dramatically, coastal vs. interior and the western parts of the country. 140 million young men float through China’s cities. The Chinese population ages rapidly. There are serious shortages of internal energy resources and water supply and profound environmental degradation.

Even with these realities in China, some forecast a switching of the guard in international leadership from United States to the PRC, with China becoming the dominant superpower it was 500 years ago. Again, I am unconvinced. The Chinese economy is less than 1/5 the size of that of the US. China has no Allies in the world, compared to the United States which has: NATO/Japan/South Korea/Australia and more recently India to some degree. Although the PRC defense budget is increasing rapidly, US defense spending is six times that of China. American diplomatic reach and influence far exceeds the PRC's.

Will the current economic crisis modify the PRC's geopolitical objectives and strategies, China's long term objective to weaken the US Alliance system in Asia, the only potential coalition that might be employed to balance the rise of Chinese power? Again my answer is no. In my view, the PRC no longer operates on the basis of a US "cork in the bottle of Japan." Given Japan's impressive military buildup and force modernization over the last decade, I believe that China concluded some years ago this was not much of an American cork. Beijing's policies began to evolve accordingly. So China's long term goal is to create alternative regional structures that exclude the US -- The Asian Summit, ASEAN Plus Three, The Shanghai Cooperation Organization—and at the same time alternatively to pressure and cultivate Japan and engage South Korea and Southeast Asia.

Regarding this neighborhood, one scholar has put it like this, "China is significantly transforming its image and influence in Southeast Asia through a broad concept of soft power while US influence wanes in this region. If the United States does not refocus its foreign policy in SE Asia, China could use its soft power—a conscious, shrewd mix of diplomacy, foreign aid, and access to Chinese education—to incrementally push the US, Japan, and Taiwan out of regional influence." But perhaps you will agree that none of this regarding long term Chinese intentions has much to do with the present global recession.

This brings us to another and contrary geopolitical question. Will the current world economic crisis change relations between China and the United States in a much more positive and intimate direction, produce what some are calling an enduring and transcendent G-2. I doubt it for these seven reasons. First, the US and PRC have profoundly different visions of Asian security. For Washington, maintaining US Alliances in Asia is the hub of its concept of Asian security. As I have said, for Beijing that very American Alliance system is a destabilizing factor in Asian security and over time should wither away. These opposing concepts will be an enduring source of tension between the two sides. Second, these two countries systematically prepare for war against one another which is reflected in their military doctrines; their weapons procurement and force modernization; and their deployments and military exercises. As long as this is the case, it will provide a formidable psychological and material barrier to much closer bilateral relations. Third, the US is critical of China's external resource acquisition policy which Washington believes could threaten both American economic and security interests in the developing world. Fourth, despite their deep economic dependence on each other, US-China economic relations are inherently fragile. China sells too much to the United States and buys too little, and the US saves too little and borrows too much from China. This will inevitably lead to a backlash in the US and a PRC preoccupation with the value of its American investments. Fifth, Chinese environmental policy will be an increasing problem for US policy makers who are committed to bringing the PRC fully into the global efforts to reduce climate degradation, and for Chinese leaders who are just as determined to emphasize domestic economic growth over international climate

regimes. Sixth, China and the United States have wholly different domestic political arrangements which make a sustained entente difficult to manage. Americans continue to care about human rights in China and Beijing resents what it regards as US interference in its domestic affairs. This will also be a drag on the bilateral relationship for the foreseeable future. And seventh, any extended application by Washington of “Chimerica” as Moritz Schularick of Berlin’s Free University has called it, would so alarm America’s Asian Allies, beginning with Japan, that the US would soon retreat from the concept.

Let me emphasize that I do not anticipate a substantial downturn in US-China bilateral ties. In addition to their economic interdependence, both nations have important reasons to keep their interaction more or less stable. Washington wants to concentrate on its many problems elsewhere in the world, especially in the Greater Middle East; and Beijing prefers to keep its focus on its domestic economic development and political stability. Neither wants the bilateral relationship to get out of hand as will be made clear in the visit this week to China by US Treasury Secretary Tim Geithner.

Thus, I note the rather narrow boundaries in interaction and cooperation between the two countries. With all these elements in play in the bilateral relationship, I do not foresee a positive strategic breakthrough in the US-China relationship in the period ahead, or a serious deterioration. And the current economic downturn will not essentially affect those abiding primary and constraining factors. Therefore, in my judgment, the US-China relationship in five years will look pretty much as it does today – part cooperation, part competition, part suspicion -- unaffected by today’s economic time of troubles, except in the increasing unlikely event of a Cross-Straits crisis and confrontation.

Now on to Russia. Again five years from today. Did the global recession and Russia’s present serious economic problems substantially modify Russian foreign policy? My answer is no. Did it produce a serious weakening of Vladimir Putin’s power and authority in Russia? No, as recent polls in Russia make clear. Did it reduce Russian worries and capacities to oppose NATO enlargement and defense measures eastward? No. Did it affect Russia’s willingness to accept much tougher sanctions against Iran? No. Russian Foreign Minister Lavrov has said there is no evidence Iran intends to make a nuclear weapon. In sum, Russian foreign policy is today on a steady consistent path that I would characterize as follows: to resurrect Russia’s standing as a great power; to reestablish Russian primary influence over the space of the former Soviet Union; to resist Western efforts to encroach on the space of the former Soviet Union; to revive Russia’s military might and power projection; to extend the reach of Russian diplomacy in Europe and Asia and beyond; and to oppose American global primacy. I do not believe that any of these enduring objectives of Russian foreign policy will be changed in any serious way by the economic crisis. For Moscow, these foreign policy first principles are here to stay, as they have existed in Russia for centuries.

Now moving more quickly.

Did the economic slump lead to strategic amendments in the way Japan sees the world? No.

Did it slow the pace of India’s emergence as a rising great power? No. To the contrary the new Congress-led Government in New Delhi will accelerate that process.

Did it alter Iran’s apparent determination to acquire a nuclear weapons capability or something close to it? No. Did it slow or accelerate the moderate Arab states intent to move along the nuclear path? No. Did it affect North Korea’s external calculations? No.

Did it importantly weaken political reconciliation in Iraq? No, because there is almost none in any case.

Did it slow the Middle East Peace Process? No, not least because prospects for progress on issues between Israel and the Palestinians are the most unpromising in 25 years.

Did it substantially affect the enormous internal and international challenges associated with the growth of Jihadiism in Pakistan? No. But at the same time let me stress that Pakistan quite apart from the global recession is the epi-center of global terrorism and now represents potentially the most dangerous international situation since the 1962 Cuban Missile Crisis.

Did the global economic downturn systemically affect the future of Afghanistan? No. The fact that the United States is doing badly in the war in Afghanistan has nothing to do with the economic recession. As Henry Kissinger observes, "The conventional army loses if it does not win. The guerrilla wins if he does not lose." And NATO is not winning in Afghanistan.

Did it change in a major way the future of the Mexican state? No.

Did the downturn mean that Europe, because of its domestic politics, will be less willing and able over time to join the US in effective Alliance policies? No, there will be no basic variations in Europe's external policies and no serious evolution in Transatlantic Relations. As President Obama is experiencing regarding Europe, the problems with European publics in this regard are civilizational in character, not especially tied to this recession. In general, European publics do not wish their nations to take on foreign missions that entail the use of force and possible loss of life. Did it slow further EU integration? Perhaps, at the margin, but in any case we already have to watch closely to see if EU integration moves like a turtle or like a rock.

And so forth.

Let me be clear. There will inevitably be major challenges in the international situation in the next five years. In fact, this will be the most dangerous global period since before the 1973 Middle East war. My central point is that it is not obvious to me that these disturbing developments will be primarily a result of the global economic downturn. We, of course, need to be alert to key international discontinuities. If such an event is out there, what is it? One that comes to mind is another catastrophic attack on the American Homeland. A collapse of Pakistan and the loss of Government control of its nuclear arsenal to Islamic extremists would certainly be in that category. But again, neither of these two calamities would be connected to the current economic recession.

As I draw to a close, let me now address another point regarding our subject today. Some argue that even though geopolitical changes resulting from the current global recession are not yet apparent, they are occurring beneath the surface of the international system and will become manifest in the years to come. In short, causality not perceptible now will become so. I find this is a difficult argument to rebut. I know of no other analytical method in addressing such an assertion than to ask for tangible evidence that demonstrates that it is so. In short, A, B, and/or C are shown to have occurred (in this case geopolitical transformations caused by the world recession), thus substantiating the contention. One could then examine said postulated evidence and come to a judgment regarding its validity. To instead contend that even though no such data can be adduced, that the assertion, nevertheless, is true seems to me more in the realm of religious conviction than rigorous analysis.

But it is worth asking, as the magisterial American soldier/statesman George Marshall often did, “Why might I be wrong.” If the global economic numbers continue to decline next year and the year after, one must wonder whether any region would remain stable; whether China would maintain internal stability; whether the United States would continue as the pillar of international order; and whether the European Union would hold together. In that same vein, it is unclear today what effect, if any, the massive public debt that the United States is accumulating will have on American power projection over the very long term. One can only speculate on that issue at present and it is worth remembering that what matters is not the size of the debt in absolute terms, but rather its percentage of US GDP so future growth rates of the US economy will be critical in this regard. In addition, perhaps the Chinese Communist Party’s grip on China is more fragile than I have posited, and possibly Pakistan and Mexico are much more vulnerable to failed state outcomes because of the world economic downturn than I have concluded. I do not believe any of these worst case scenarios will eventuate, but it does remind us that a crucial variable in my analysis here today as I said at the outset is the length and severity of the present global recession.

Finally, if not, why not? If we are in the most severe international economic crisis since the 1930’s, why has it not producing geopolitical structural changes in the global order? My brief answer is that the transcendent geopolitical elements have not altered in substantial ways with regard to individual nations in the past two years since the economic crisis began. What are those enduring geopolitical elements?

- A country’s geographic location, topography and climate. As Robert Kaplan puts it, “to embrace geography is not to accept it as an implacable force against which humankind is powerless. Rather, it serves to qualify human free and choice with a modest acceptance of fate.” In this connection, see in particular the works of Sir Halford John Mackinder and his The Geographical Pivot of History (1904), and Albert Thayer Mahan, The Influence of Sea Power on History, 1660-1783 (1890);
- Demography. the size, birth rate, growth, density, ethnicity, literacy, religions, migration/emigration, industriousness of the population of a nation;
- The histories, foreign and defense policy tendencies, cultural determinants and domestic politics of individual countries;
- The size and strength of the domestic economy;
- The quality and pace of technology;
- The presence of natural resources; and
- The nature, capabilities and policies of neighboring states.

For the countries that matter most in the global order, perhaps unsurprisingly none of these decisive variables have changed very much except recently in nations’ weaker economic performances. In my judgment that factor does not trump all these other abiding geopolitical determinants and produce international structural change. And I as I have indicated the international economy should begin to repair itself in the next 12 months. Moreover, the fundamental power relationships between and among the world’s foremost countries have also not altered, or those nations’ perceptions of their vital national interests and how best to promote and defend them.

To sum up this pivotal idea in my presentation, in the absence of war, revolution or other extreme international or domestic convulsions, for nation states the abiding powerful geopolitical conditions

that I have just listed do not evolve much except over the very long term and thus neither do countries' strategic intent and core external policies – even as today in the face of a world economic recession. I made that very point earlier about Russia's enduring national security goals which go back hundreds of years, and a Gulf monarch recently advised me with respect to Iran not to fasten on the views of President Ahmadinejad or Supreme Leader Khomeini. Rather, he counseled that to best understand contemporary Iranian policy I should more usefully read the histories, objectives and strategies of the Persian kings Cyrus, Darius and Xerxes who successively ruled a vast empire around 500 BC.

So as we address the subject before us today, maybe we should be cautious and remember the words of Marcel Proust, "The only thing that does not change is that at any and every time it appears that there have been "great changes," and those of the American filmmaker Orson Wells who once opined that, "To give an accurate description of what never happened is the proper occupation of the historian."

Thank you for your attention.

I look forward to your comments and questions.