

Geopolitics and the consequences of choice

Stephen Kotkin | Princeton University | 30 September 2016

We hear incessantly about how the world has become more uncertain, less safe. But the notion of cold war-era certainty is a myth. Anyone who recalls Stalin's 1948 Berlin blockade, Mao's 1949 Chinese Communist revolution, the 1950 North Korean invasion of South Korea, the 1962 Cuban Missile Crisis – when the planet almost perished in nuclear annihilation – the 1979 Islamic revolution in Iran, or multiple other episodes knows that uncertainty was often at the highest levels. Terrorism was rampant in Italy, Germany, parts of Asia, and Latin America.

Sadly, the current bloodshed in Syria and other parts of the Middle East, which has claimed half a million lives, is not exceptional either. In the 1980s Iran–Iraq War, 1 million people died. In the 1960s–70s US–Vietnam War, more than 1 million Vietnamese were killed. In the 1970s–80s Soviet–Afghanistan War, more than 1 million Afghans died. In multiple wars in the Congo dating back to the 1970s, the biggest country in sub-Saharan Africa, at least 4 million people have been killed. The refugee numbers were higher still.

Today, the world is arguably safer – not to mention far more prosperous, than ever. Paradoxically, however, the challenges of interconnectedness are more severe. One involves the roiling changes to the planet's climate and ecosystem; another, the scientific ability to manipulate life via the genome.

In geopolitical terms, the gravest challenge is not terrorism, or the Middle East, or Brexit and the EU, but a possible eruption between China and the US, the world's two largest economies and militaries. It is always when the most powerful countries clash that the world is altered fundamentally.

The immediate flashpoint is the South China Sea, through which flows an estimated \$5 trillion in annual trade. (Up to 60% of Australia's seaborne trade passes through this Sea area.) Despite denials, China is militarising the South China Sea, rapidly. Of course, the US militarised it long ago, in the name of protecting freedom of navigation. China recently opened its first major military base abroad, in Djibouti; the US has several hundred overseas military installations. But in the South China Sea, where the US has had an effective naval monopoly, there is now a duopoly and, it seems, a Chinese drive for its own monopoly. How China and the US manage this strategic shift will shape not just the region, but the entire world.

INTENTIONAL, ACCIDENTAL, INEVITABLE?

Is some sort of violent clash, whether intentional or accidental, inevitable? Or, can a modus vivendi be worked out? What is China's leadership after, and why? What are the realistic options for the US? Can Australia continue to avoid making a definitive choice between Chinese trade and American security? Can Manila toy with anti-Americanism in the face of the China challenge? Will Hanoi embrace its former war-tormentor in alliance against China? Will Taiwan be drawn closer to mainland China over shared territorial visions, or pushed farther away by Beijing's strong-willed action? Will India be drawn in? Russia? Japan? Can ASEAN tiptoe through the various territorial disputes without tripping up? Will trade and economic interests trump human rights and the commons? What can environmental groups do in the face of the vast coral reef destruction in the South China Sea? What are the possibilities for multilateralism, through the UN or other bodies?

UNDERSTANDING STABILITY FOR INVESTORS

Authoritarian stability is an illusion, of course. It lasts until suddenly it doesn't. Investors heavily exposed to markets whose politics and institutions they cannot readily explain under questioning are taking on large risks, so the rewards better be commensurate.

Crises are global, as they say, but bailouts are national. Investors are always betting on the governing structures and institutions of the places where they put their money. So, crises themselves are not the key – various sorts of crisis are going to happen – but the crucial factor to analyse is the presence or absence of resilience to face them. The significance for investors of most geopolitical events is exaggerated. Normal global chaos is already priced into markets. That said, there are some geopolitical events which are not priced in and whose potential effects cannot be exaggerated – such as any spiralling tensions in US-China relations.



Professor Stephen Kotkin is an American historian, academic and author. He is the Birkelund Professor in History and International Affairs at Princeton University, where he has taught since 1989. He is also a fellow at the Hoover Institution at Stanford University.

At a Conexus Lunch on 17 November (Melbourne) and 18 November (Sydney), Professor Kotkin will address the topic "Populist upheaval, the unravelling EU and the US election". For more information and to register, click [here](#).
