

US will maintain thoughtful distance amid disorder

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Growing US scepticism on international free-trade and defence agreements is rational in an unstable world, according to George Friedman, an American geopolitical forecaster and author.

Addressing the 2016 Association of Superannuation Funds of Australia (ASFA) Conference in November, Friedman argued that the US will retain close strategic relationships with other English-speaking nations, but will seek to maintain "a thoughtful distance" from other regions, as the economic and political disorder unleashed by the global financial crisis continues to unfold across Eurasia.

To view Extracts from George Friedman's ASFA address go to:

<https://portfolioconstruction.com.au/perspectives/us-will-maintain-a-thoughtful-distance-amid-disorder/>

Friedman traced ongoing geopolitical tensions to the end of the Cold War. He argued that the collapse of the Soviet Union heralded an historically-abnormal period of peace and prosperity – and that western complacency over this benign environment persisted until 2008, when it was shattered by two events.

He said: "[In 1991] we entered the post-Cold War world. There were a couple of assumptions made about this world. There would no longer be wars – only minor police actions. And the economy would be the centre of everything we do. Well, of course, this was an illusion. And the illusion came crashing down in seven weeks, in 2008. On 8 August 2008, Russia went to war with Georgia – and the assumption that Russia was no longer a significant force, and that the world was completely peaceful, collapsed. On 15 September 2008, the world did collapse, when Lehman Brothers went under."

Friedman argued that the ensuing financial crisis and global downturn had substantial negative implications for China and Russia – given China's dependence on exports to the West, and Russia's reliance on external oil demand – and that economic weakness had led both countries to become increasingly belligerent within their regions. For Russia, the 2014

annexation of Crimea from Ukraine was far from the triumph portrayed at home by Russian president Vladimir Putin.

"Putin has suffered two massive reversals – one was [the financial crisis] and the other was Ukraine," Friedman said. "At the beginning of the Ukrainian incident, Russia had a Ukrainian government that was basically pro-Russian. At the end of it, the government in Kiev was pro-western, American military advisers were there, an uprising had tried to start in the east of Ukraine [and] had fizzled miserably.

"Putin's back is against the wall. Ukraine is fundamentally important because it's a buffer from the West – it was in the Ukraine that the Soviets defeated the Wehrmacht. He's lost that. The economy is in shambles.

"And what do you do when you've got some really bad cards?", Friedman asked. "You bluff. And therefore what he is doing – and we can see this everywhere – is he's very publicly carrying out military exercises. He has tried very hard to create a sense of ominous aggressiveness, without actually doing anything."

China is conducting a similar program of military diversions in the South and East China Seas, Friedman claimed. "Please observe the way in which the weakness of China, the weakness of Russia, has created extreme military tension around the frontier of Eurasia," he said. "Now, they're counting on the US having enough common sense not to go crazy and do something. This is the US you're talking about – that's a big gamble. [China] does not have a single aircraft carrier. [The US] has 13."

Meanwhile, income inequality and increased immigration are fuelling a Eurasian anti-globalisation backlash, Friedman argued. "What has died is the religion of free trade. It was killed on the day Lehman Brothers collapsed and everybody suddenly discovered what interdependence meant. What interdependence meant was that the sickness of some crazy guys at Goldman Sachs, and the rest of them, could wreck the entire system. There were no firewalls any more. The Chinese, the Russians, the Europeans, even the Americans – they want the firewalls back."

Given the chaos across Eurasia, and the relative security and economic strength of the US combined with its declining reliance on imported oil, Friedman argued that the world's largest economy would logically seek to maintain "a thoughtful distance" from certain regions, and play a more selective role in global affairs. As a result, military alliances and free-trade agreements will increasingly be scrutinised on a case-by-case basis, to determine whether US participation is in its national interest.

"That [the US] will have a close strategic relationship with the Five Eyes – Australia, New Zealand, Canada and Britain – is a given. [But] the bottom line here is that we have returned to history," Friedman concluded. "The fantasies of the previous 20 years are gone. Eurasia is in chaos; the Russians and Chinese are aggressive; American forces are deploying in Poland

and Romania. It's not the end of the world. It's just a much more painful world than we expected."



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