

Is Australia Ready to be at the Centre of the New World?

The Annual Geopolitical Lecture to the Australia-Israel Chamber of Commerce

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It is a great pleasure to be back home in Perth and back home at the Australia-Israel Chamber of Commerce. I was asked to give a global overview before I introduce our guest of honour, His Imperial Highness Prince Ermias Sahle-Selassie Haile-Selassie, the President of the Crown Council of Ethiopia, and the grandson of His Imperial Majesty Emperor Haile Selassie I. The 50th anniversary of the Emperor's State Visit to Australia, including Perth, occurs next year, and the Prince has been touring Australia, walking the path his Grandfather once trod.

I add my thanks to the corporate sponsors of the event, the Clough family's McRae Investments, and Herbert Smith Freehills, for their continuing faith in these gatherings. As well, I would like to thank some companies and people who made Prince Ermias' trip to Australia possible, including Virgin Australia, Kefford Corporation, and Perth's own Globetrotter Travel and Penny Inc., run by the redoubtable John Battley.

But let me address the topic for my geopolitical talk before we get to the interesting part of today: the talk from and with Prince Ermias.

Australia is preparing to make its second great course change in the 116 years of its independent history.

We made that first "sea change" in about 1962, from a strategic dependence on the United Kingdom to a strategic dependence on the United States. It was a change made without any real public debate, and without any comprehensive planning as to the consequences of the move.

It began as an incremental change even before that, with the realization that Australia needed the US fleet — with the Battle of the Coral Sea — to stop the Japanese occupation of Port Moresby in 1942, and with the 1951 signing of the ANZUS accords with the US. And it cemented into a hardened position through the 1960s with Australian participation in the Vietnam War — for its own geostrategic reasons and as part of its US alliance — and as Australia began locking itself into the US security partnership through a series of major capital investments in US defense systems, such as the F-111.

Defense supply relationships can lock countries into a political-strategic dependencies for as long as a half-century.

But now Australia is moving, *de facto*, onto a new path, partly away from the United States. Where is it going? There is no trust at either Australian governmental or social levels for a strategic or security alliance with the People's Republic of China, nor with India. So where is Australia to go? Will it, after consideration, double down on its relationship with the US, while incrementally expanding its relationship with Japan? Will it attempt to become a more self-reliant middle power? Indeed, irrespective of its friendships with other powers, it is time for Australia to become more self-reliant in every respect.

It seems likely that the intensely complex defence supply relationship which Australia has with the US — locked into massive capital investment programmes such as the F-35 fighter which requires ongoing cooperation for the next three decades or more — will cause us to continue a high degree of cooperation with the US. The Government's present diplomatic campaign with the US, based on a hundred years of mateship, indicates that Canberra, at least, is reluctant to move from the shadow of the United States. But perhaps that campaign is a reaction to the perception that the US itself may see the ANZUS alliance slightly differently than it did a decade or two ago.

In other words, is Australia as important now to Washington as it was perceived to be during the Cold War? I would argue that it is, but that the nature of the US-Australia relationship has changed because both countries have changed, and continue to change. As they must.

And certainly, Australia *has* moved from the two periods of clarity in its dependencies with the UK and then the US, to what is now a period of uncertainty. Our trade dependency on the People's Republic of China caused, and causes, Australia to take a different view of the PRC than the view taken on China by Washington. Now the trade pattern with the PRC is less clear, less optimistic than in the recent past. That, too, may change in some unexpected ways, with some positive options and some hard decisions.

So we have become wary and uncertain. Understandably so.

This uncertainty will become more profound in the coming decade, because the global geopolitical architecture continues to change.

The profoundly confident march into the future by the PRC, which brooked no challenges over the past decade, is now faltering. At the same time, the seemingly inexorable decline by the US in global affairs is, perhaps, slowing.

The PRC's strategic manoeuvring is facing great difficulties. The current very direct, but arm's length, negotiations and posturing underway between North Korea's King Jong-Un and US Pres. Donald Trump have essentially been moving toward a US-DPRK deal which would preclude Beijing. We are likely to see the equivalent of the "Nixon to China" *coup de main*, but this time between Trump and Kim, with mutual recognitions of sovereignty, an end to the Korean War, and an end to South Korean demands for a reunification of the Korean Peninsula. This would leave North Korea as neutral, but less threatened, and free from China, and would open up overland trade links from South Korea, through North Korea, to Russia and the Russian rail networks.

We will likely see one outcome which Beijing thought its one belt, one road policy sought to stop: direct, overland freight traffic taking Japanese, South Korean, and Taiwanese trade to European markets in two weeks, rather than two months by sea. Beijing had sought to control all trade between the Pacific Asian coasts and the European Atlantic coasts.

The Trump-Kim deal, which Beijing seems unable to stop, would end that hope. Already, Beijing has changed even the name of its one belt, one road

policy to the belt and road initiative, because it recognises that it can no longer channel all Asian trade through its own logistical paths. And North Korea will get what it wants most: freedom from China.

Japan and Russia have been working toward this outcome, as well, for a year or more. The Putin-Abe talks in Moscow and Tokyo have been aimed at creating a new and separate silk road to bypass the PRC's silk road. Russia has been concerned that its over-dependence on Chinese trade — which provides about 70 percent of revenues for the Russian railways — was dangerously unhealthy. And Russia can, with pipelines from Vladivostok to Japan, start exporting gas and other products directly to Japan, and Japanese goods will start to ship directly to Europe via Russia.

Taiwan, too, would be able to use this non-PRC silk road to escape containment by the PRC. And we may see the evolution of Arctic maritime routes, also escaping China's attempts to control the maritime and land silk routes.

But the PRC is fighting back. Pres. Xi Jinping is now attempting to coerce the US into signing a "Fourth Communiqué" as a supplement to the 1979 Taiwan Relations Act of the US Congress, which would have the US cede any right to security dealings with Taiwan. And if that were to occur, then the PRC would have unfettered access for its navy into the Central Pacific, thus keeping US forces at a real arm's length from the East Asian coastline. There is no mileage in such a "Fourth Communiqué" for the US, and yet a number of key US individuals, from Pres. Trump's son-in-law, Jared Kushner, to former Secretary of State Henry Kissinger, have been pushing Pres. Trump to consider it.

Pres. Xi wants this "Fourth Communiqué" to present as a crowning achievement to the 19th National Congress of the Communist Party of China later this year.

This emerging new strategic architecture looks set, one way or another, to divert strategic investment from the Indian Ocean trade routes to overland routes, some of which exclude the PRC.

We're seeing that the People's Republic of China may *not* be in control of Eurasia; indeed, it may well be partially surrounded or contained. That is the undiscussed substance of the current confrontation between the US and North Korea, and why it really frightens Beijing so much.

So: will we see a slowdown, or decline, in sea trade through the Indian Ocean and the Malacca Straits and South China Sea? Will the developments reduce US interest in the Southern Hemisphere aspect of the strategic competition with the PRC?

Possibly. And will the PRC focus its Indian Ocean activities, then, just on the African east coast trade and the Red Sea trade through to the Pakistani port of Gwadar and up through the Karakoram Highway to Xinjiang?

Quite possibly.

Then there are the twin realities of the massive changes in the Chinese population's size, average age, and movement, and the fact that Chinese agricultural production is in real trouble. *Most* of China's land is polluted; its water supplies are declining in both quantity and quality. This will drive China into a massive dependency on imported foods — which is very dangerous for a major power — and this in turn will provide the next big opportunity for agricultural nations to sell to China. Russia, Australia, Brazil, and North America will be significant beneficiaries of this. China's dependency on imported energy, particularly coal, is also set to rise substantially in the coming decade.

So what of Australia's trade and trade routes in this changing world?

And, in all of this, is Australia ready to be at the centre of the new world? Perhaps even the premise is confusing. What "new world"? And whatever that "new world" is, how can Australia be at its centre?

We know we are entering a new world because the old one — with its familiar centres of power, familiar patterns of trade and scientific evolution — is now gone. Walk the streets of Perth and you see that the crowds are different, the sounds are different, the way people interact is different, the levels of affluence are different. Different from 20 years ago; vastly different from 50

years ago. The way you get your information is different: less precise, and more about opinions than facts.

A year ago, I talked at the AICC about Australia's Options in a Totally Transforming Global Context. In 2006, I asked you "Can Australia survive the next 50 years?" And that posed the real question, which underlines everything: what is Australia? Who are Australians? What do we want? And what is the context in which we must survive?

We did not answer those questions. We did not even *attempt* to answer those questions. We remain as passengers on an express train through a troubled world, expecting that someone else will take care of us; someone else will tell us what to do, and whom to fight.

We are beset both by the humility that we are too small to count, and yet too rich to worry.

But let me throw out a few basic conclusions:

- 1. Neither China nor India will, in their present forms, become the strategic centers of the universe in the coming decade or two, despite their importance. But the relative position of the West is also yet to be determined. In many ways, we are no longer in a "balance of power" world, but a "balance of weakness" world, a very fluid period.
- 2. Global population transformations are creating totally new social, economic, and technology models. They will also transform the way we measure and compare our progress. We are seeing dramatic population declines, population movements, and changes in population cohesion.
- 3. Identity politics, including nationalism and all which that brings, will drive most emerging strategic scenarios. In times of stress, people revert to their traditional identities; their traditional relationship with their geography and cultures. This drives a return to vertical hierarchies and a return to the primacy of the nation-state.
- 4. We are now entering the second electrical age, which makes us existentially tied to the second-by-second delivery of electricity, and right now this makes us extremely vulnerable to the new age of cyber war-

fare. Cyber warfare has replaced nuclear warfare as the principal strategic warfare weapon.

- 5. We may well see the break-up of Turkey and Saudi Arabia within the coming few years and the commensurate revival of the pivotal central power, Iran.
- 6. What will emerge will be in harmony with historical patterns. If harmony can be a term appropriately applied to an emerging period which will look, while we're in it, very much like chaos, or at least uncertainty.

We can talk about these and literally any other topics you would like in the discussion period.

But let me ask: why is it that futurists, including strategic planners, are failing to account for the profound, underlying impact of reversals in population growth; the implications of growing urbanization, and of transnational migration? Futurists seem to emphasize the impact of technology and economic stability as though exponential evolution and transformation are automatically going to occur.

Strategic projections into the medium and longer-term future tend to forecast either apocalyptic descent into the maelstrom of chaos, or warp-speed superhighways into an unrecognizable future dominated by technology. Both approaches involve linear extrapolations of just fragmentary trends of human experience, based on short-term historical evidence.

They are, in other words, unrealistic as guides to the strategic future.

The key is to determine what outcomes and scenarios are *probable* as opposed to those which are merely speculatively *possible*. Technological, social, economic, and strategic trends rarely progress in unison; neither do “linear” patterns last long in historical terms.

So our emergence into this “new world” will be messy and imprecise. We will be hampered by being caught in the ongoing processes which have been our tramlines for the past 75 or so years. To achieve what we need, however, we

need to escape from a primary focus on process, and start being driven by outcomes. We need to define objectives. Which means that we need to identify who we are, what we want, and what we need in the full understanding of the context of the changing world.

If agricultural exports, for example, are to be a key component of our next economic period, we will need to focus on how we get goods to markets. The Indian Ocean and Pacific trade routes will be critical. And we do need to focus on agriculture and food exports. That requires a significant clean-sheet look at what it will take to have our land support a major upsurge in agricultural capacity.

It's not just for the Chinese market. We will soon see that the declining capabilities of the river basins coming from the Southern Asian mountain ranges are, like the basins dependent on the Tien Shan range feeding China, under severe stress. This will massively impact India, Pakistan, and South-East Asia.

How significant, then, will the US-Australia relationship be in this context? That is not to say it will be unimportant, but its relative positioning will change.

We need to recognise that, like it or not, nationalism is emerging in a manner which will see a return to a bilateral approach to trade.

There will inevitably be a greater need for national self-reliance, which means a return to productivity and innovation. As I said in a conference recently, Australians should be outraged to the point of revolution that it will cost us three times as much to build our submarines as it costs the governments of France, Germany, and Japan. Are we so arrogant that we do not see the need to be able to produce higher quality goods at globally competitive prices? We, particularly in Western Australia, need massive innovation and entrepreneurship, and we need government to do away with archaic bankruptcy and corporate organisational laws which impede that.

Do we think that we are so rich that we do not need to apply ourselves mightily to our survival?

Within all of this, there is an urgent need for a clean-sheet approach to foreign policy; to strategic policy.

China sees the great new markets likely to emerge in Africa. And Africa, although troubled, is less likely to be affected by some of the winds of change which are besetting the major industrial regions. Australia needs to be able to reach and lead in the Indian Ocean basin, which already contains some 40 percent of the global population.

Let me say that, when Australia most heavily depended on its trade links through the Indian Ocean to Europe, passing through the Red Sea and Suez Canal, figures like Prime Minister Robert Menzies, and Ethiopian Emperor Haile Selassie clearly understood the need for these two geostrategic anchors at the corners of the Indian Ocean to understand each other, and to work together.

Which is why I am glad now to be able to introduce His Imperial Highness Prince Ermias Sahle-Selassie Haile-Selassie, the grandson of the late Emperor. He, like his illustrious grandfather, fully understands the logic of relations between Ethiopia and Australia. Clearly, a lot of people in Canberra are also wakening to this. Prince Ermias comes fresh from a most incredibly warm reception from Prime Minister Malcolm Turnbull, Defence Minister Marise Payne, Defence Industry Minister Chris Pyne, the Attorney-General, and so on.

The Australian Financial Review of June 22 said that the trip by Prince Ermias to Australia was taking on “all the trappings of a State visit”. And the Ethiopian Government itself was most supportive of the visit, recognising, as the late Emperor did, that Australia and Ethiopia share a surprisingly comfortable compatibility, despite the differences in their cultures. Or perhaps because of the common thread of Judeo-Christian history which Ethiopia holds for Western civilisation. The bloodline of our civilisation flows from the union of King Solomon and Queen Makeda of Saba — the Queen of Sheba — some three millennia ago, and nowhere else can we see this repository of our common history and identity.