

Bureau for Economic Research

# Geostrategic Realities in a Changing World: So much noise!

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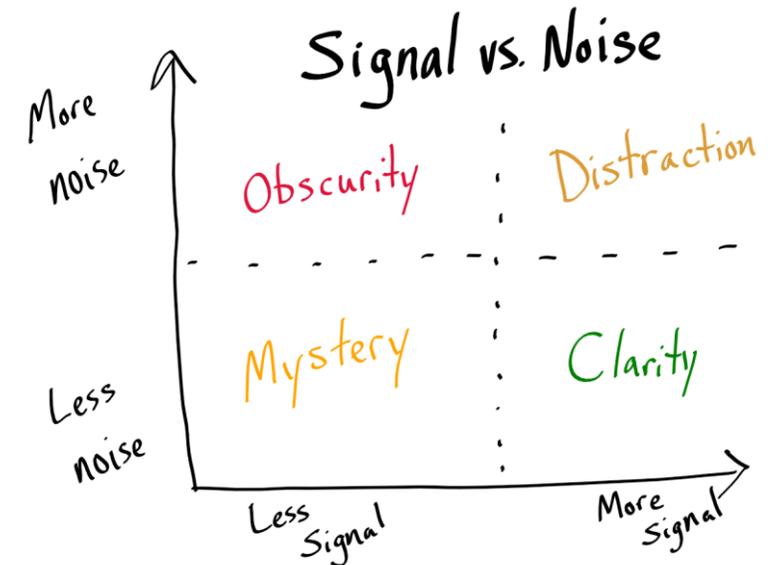
# . . . to reflect on geostrategic realities in a changing world.

Using the major powers of the world to reflect on changing geostrategic realities:

- “The West” – DJT’s US and Europe
- Russia
- China
- Middle East

Intelligence idea of signals and noise:

• “In the context of data analysis or communication, "signals" represent the meaningful information you are trying to extract, while "noise" refers to the random, unwanted variations or disturbances that interfere with the signal, making it difficult to clearly identify the intended information”.



# Setting the Scene

1. Von Noyman – “The limited size of the world will become a problem”

2. Lenin – Decades go by and nothing happens; and then days and weeks go by and everything happens.

3. New age of connectedness: print and typewriter age vs cyber and digital age:

4. Wars are seldom won in days . . .

5. All major powers in the world are in decline!

# Setting the scene

## With reference to the West -

- Stephen Kotkin: “... it is not what we do, it is who we are, that scares them.” [we = The West]
- The American-led international order is vulnerable at three places:
  - Middle East – Israel
    - Iran as key strategic actor
  - Central Europe – Ukraine
    - Russia as key strategic actor
  - Far East – Taiwan
    - China as key strategic actor

THE OLD WORLD IS  
DYING, AND THE  
NEW WORLD STRUGGLES  
TO BE BORN:

NOW IS THE TIME  
OF MONSTERS.

- ANTONIO GRAMSCI

# Trump Won. Now What?

## Second term presidents tend to be bolder!

Garry Kasparov - "... far-right success follows far-left overreach. The media normalized Trump, but also downplayed how strongly many Americans disliked leftist agitation."

Prof Victor Davis Hanson: "Trump's Counterrevolution is a reaction to the cultural, economic, political, social revolution of Obama and Biden in Washington DC". <https://www.youtube.com/watch?v=eZX6TxQeJ8A>

Prof Lawrence Freedman: "... Trump campaigned with a darker vision of a failing country let down by its elites, and promised instead nationalist remedies – anti-immigration, protectionist, and potentially isolationist."

**Is the United States about to become a different kind of country; or is it normalising?**

# Trump Won. Now What?

## Pressure to deliver on his campaign promises

Balancing domestic and foreign policy realities.

DJT is a businessman!

The realities of the bureaucratic deep state.

Problem of a disappearing middle class and tax base: very high rich vs very poor low.

Contracting the help of big business to rescue the working class.

# Trump Won. Now What?

## Confronting the three vulnerabilities

Noise vs signals - outrageous statements, to get others to act.

Traditionally, the US relies on two alliances.

NATO – to keep America in, Russia out and Germany down.

- What is to happen if the US engages Russia instead of NATO?

The QUAD and China

- The US is economically being challenged
- US military is strategically being challenged.

<https://alexzfinley.substack.com/p/meet-our-new-allies-russia>



# Europe - Africa, and the Middle East

Europe: “. . .the coming anarchy and the enemy within.”

Africa –urban  
populations are  
more difficult to  
govern than rural  
populations.

Interface with  
Europe – the battle  
of the borders.

Instability in the  
ME and Africa are  
to generate more  
migrants.

Henry Adams –  
“The problem for  
Europe always was  
and always will be  
Russia”

# What are the strategic realities facing Russia?

## 1. Geography matters!



# Russia is strategically facing West

What is the problem?

How to integrate Russia into the European project of tiny states?

"I think for many centuries there has been this Russian problem, that Russia doesn't know exactly where it begins and where it ends..." Václav Havel

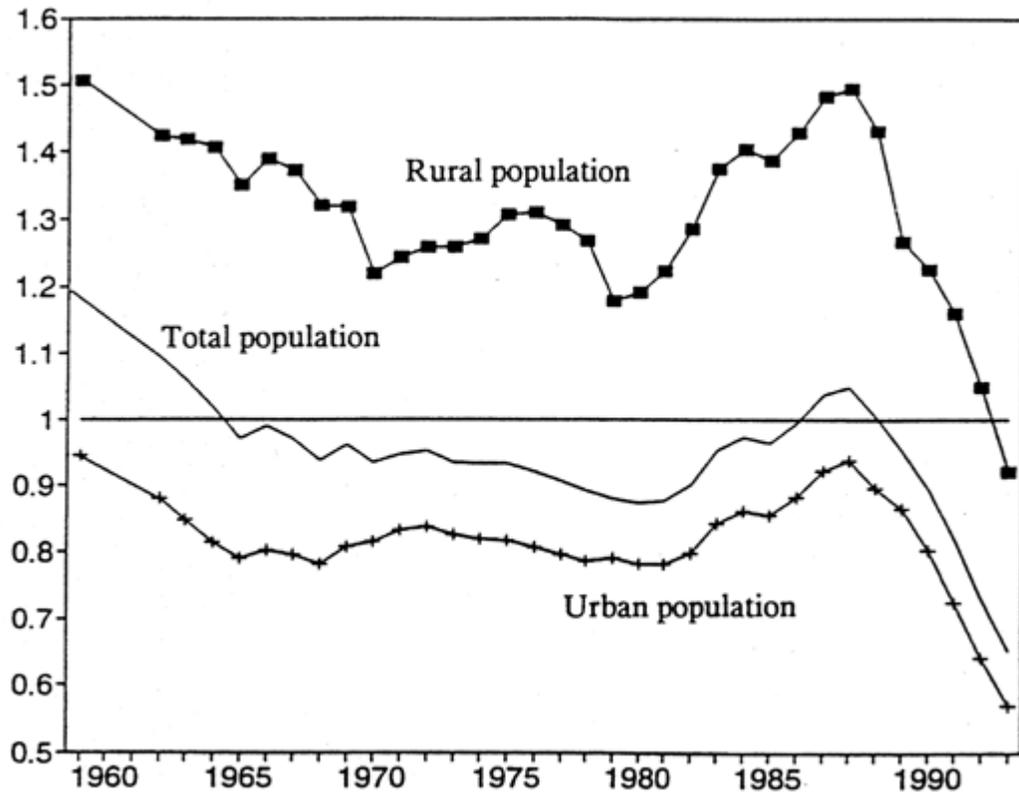
Russia as Europe's ultimate nemesis.

North European plain.

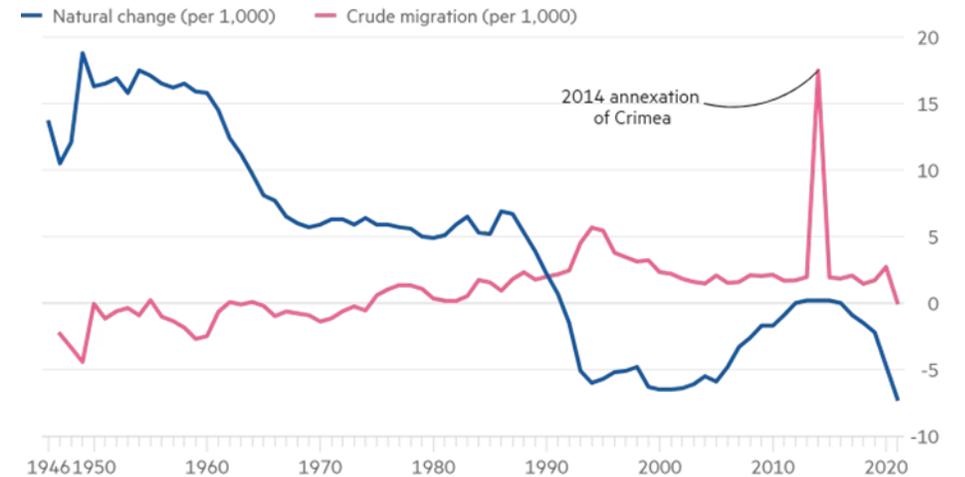


# 2. Russian Demographics

The 1990s matter!



Russia's population recently underwent its largest peacetime decline in recorded history



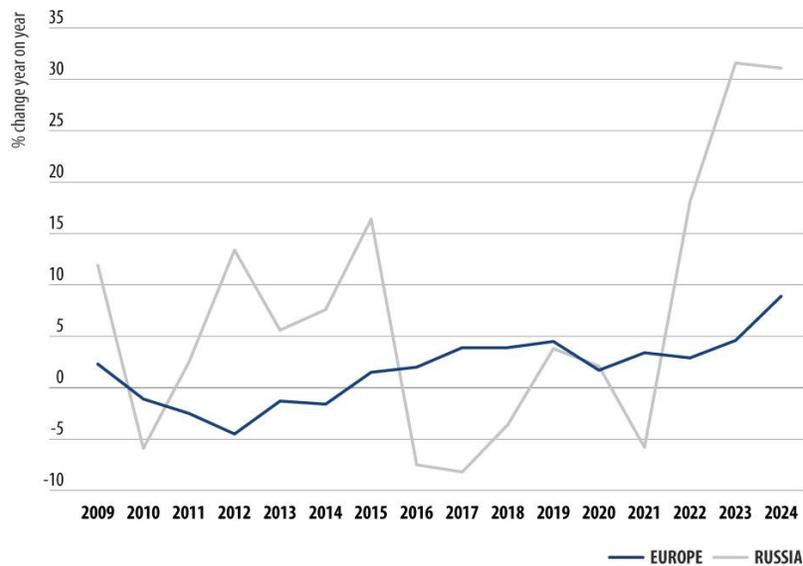
Source: FT research  
© FT

# 3. The Russian War Economy

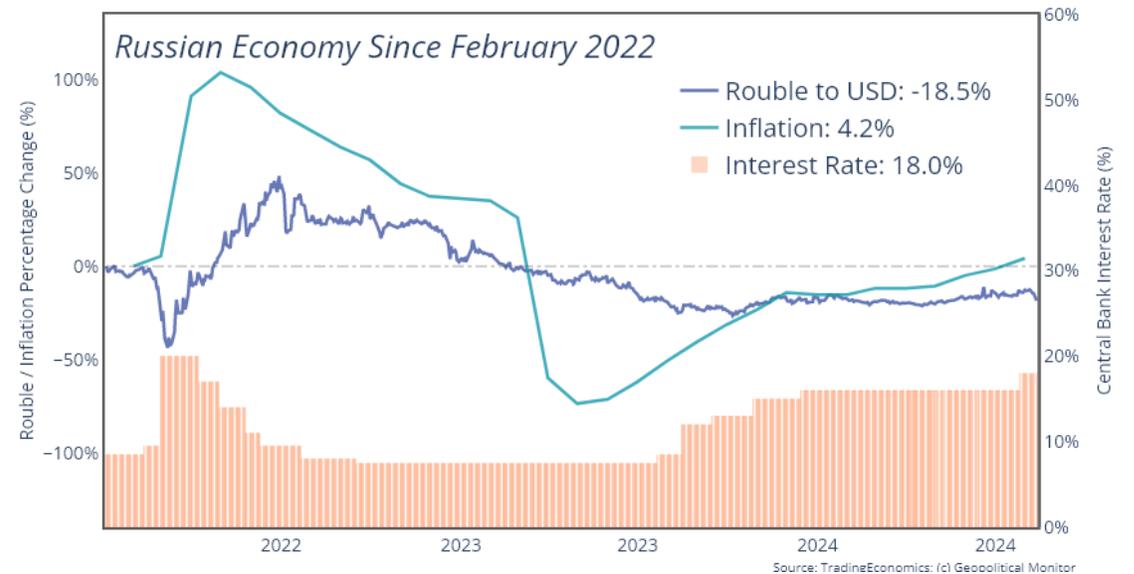
*“Russia’s economy is now completely driven by the war in Ukraine - it cannot afford to lose, but nor can it afford to win.”*

## Short-term Resilience, Long-term Risk

### Europe and Russia: defence-spending real growth, 2009–24



*Dutch Disease: the negative consequences of a country's economic development in one sector causing other sectors to decline.*



<https://www.geopoliticalmonitor.com/russian-economy-short-term-resilience-long-term-risk/>

Source: Lockheed Martin, <https://www.f35.com/f35/index.html>



# 4. Ideology, leadership, and nature of government

## A closed decision-making system

Ideological legacy of Soviet 'greatness'.

Managing intelligence.

Honesty, trust, and transparency.

Russia's metaphysical war with "The West" – as an idea; not a geographical entity!

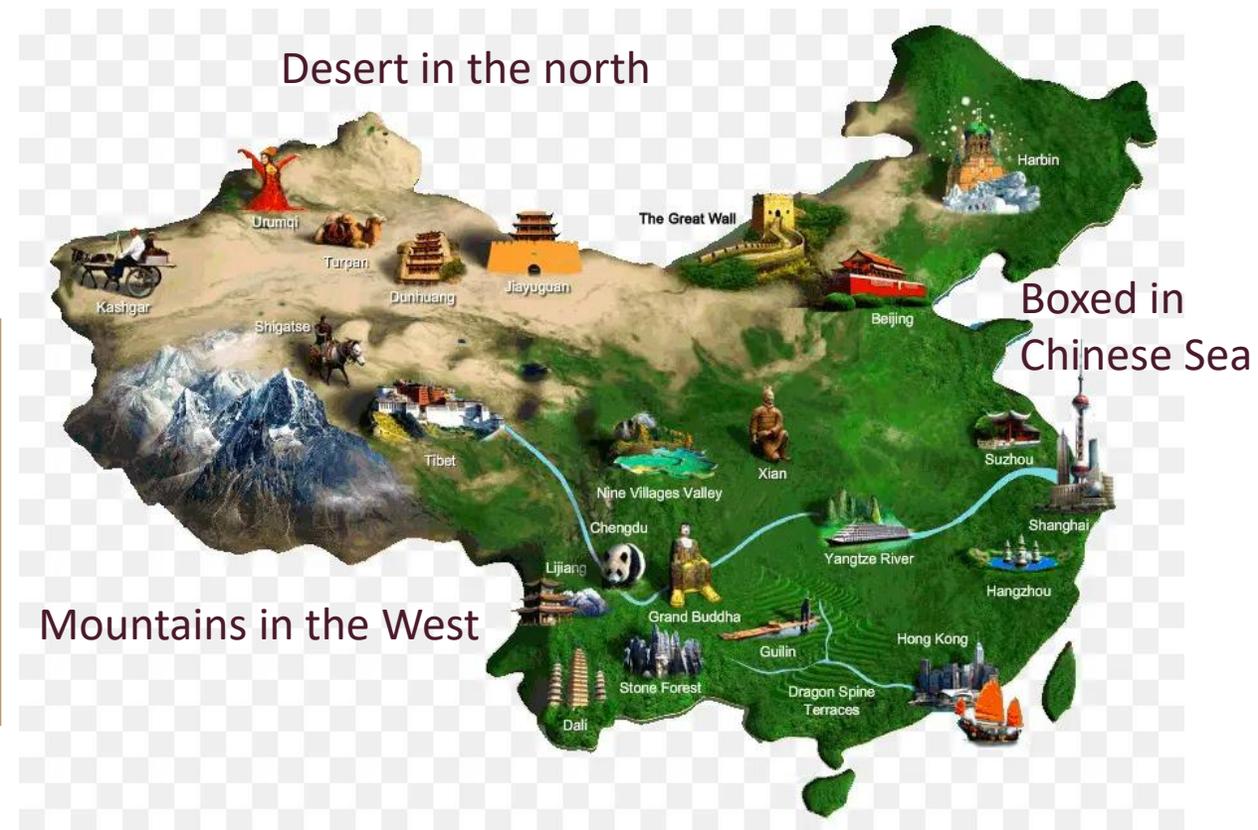
Existential tension between democratic & dictatorial worlds.

Russian national character; to suffer and to endure!



What are the strategic realities facing China?

## 1. Geography



# Geography matters

## Singapore - Street of Melaka



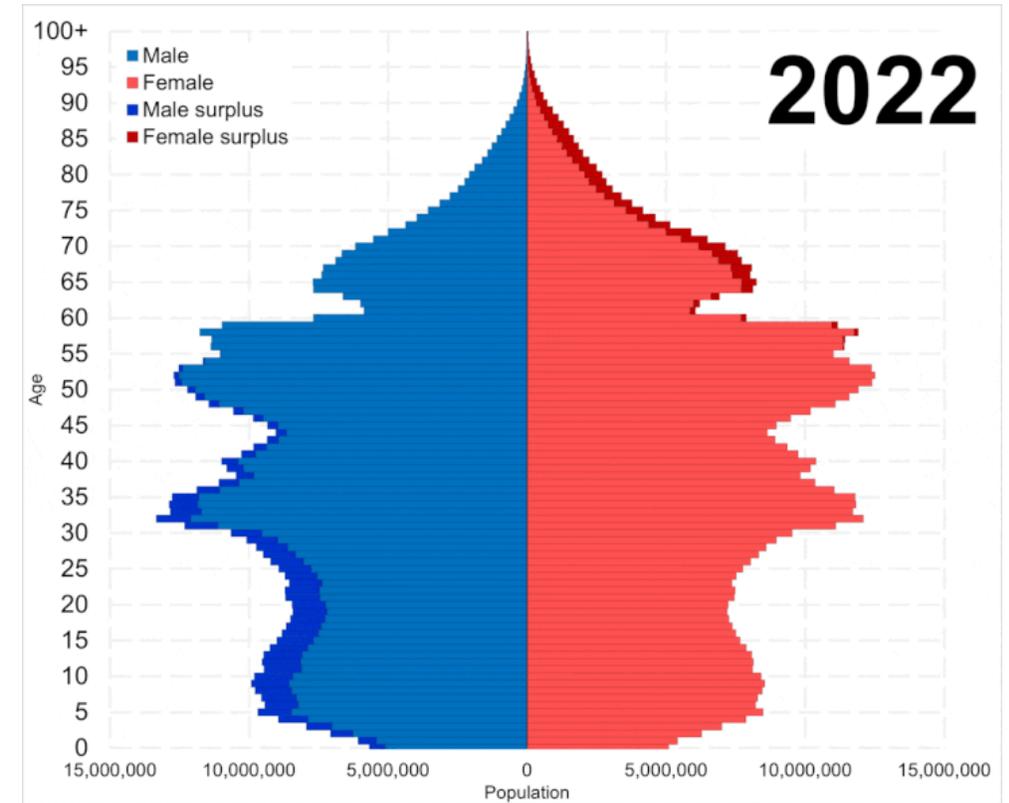
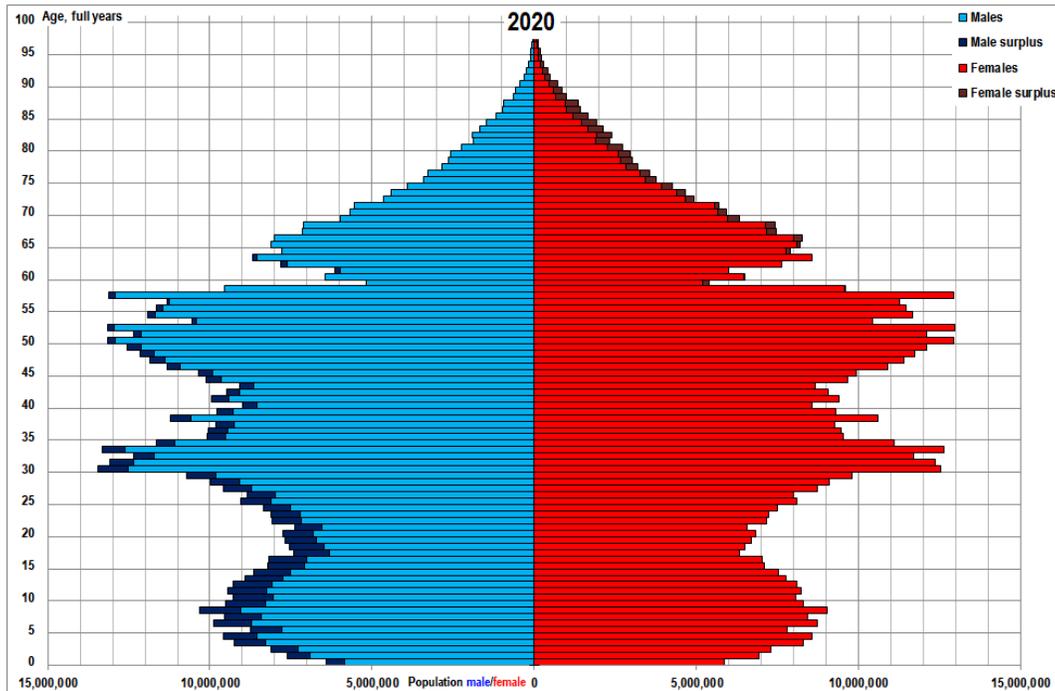
## 1st and 2 Island Chains



Source: U.S. Department of Defense, RAND Corp. (data from 2013)

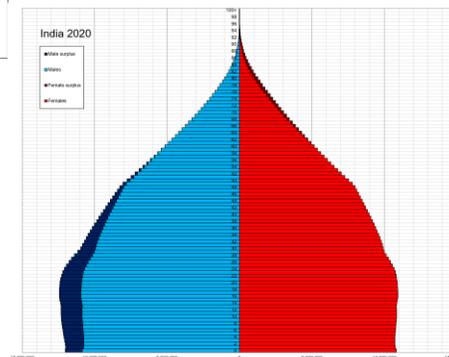
# 2. Chinese demographics

It is not a good story!



Robert Kaplan:

- Overcount of a 100 billion; all under 40.
- Birthrate dropped by 50% in the last five years



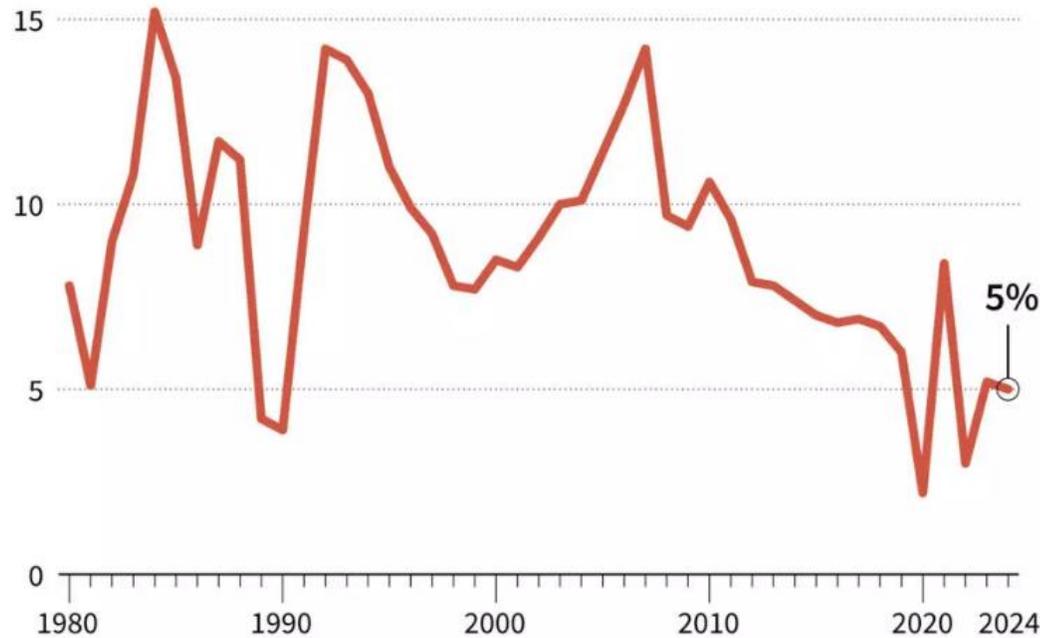
# 3. The Chinese Economy

Many questions about the validity of the Chinese economic data!

Chinese economic growth among slowest in decades.

## China annual GDP

Change from previous year, %



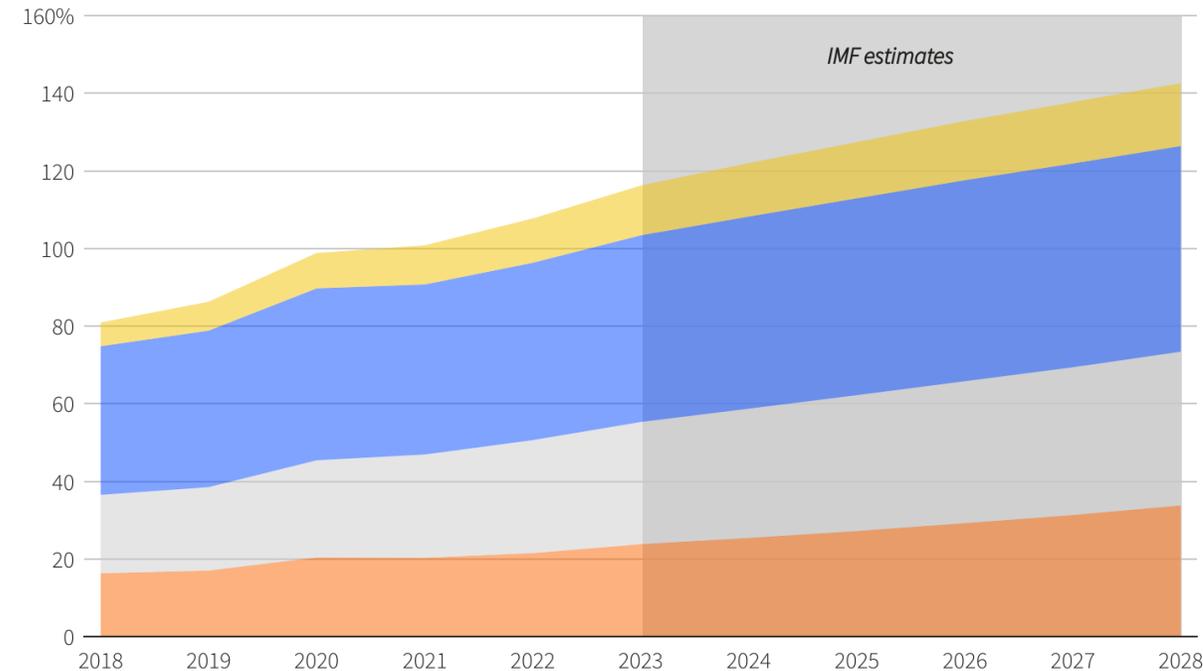
Source: National Bureau of Statistics, China



## Debt Burden

### China's government debt-to-GDP ratio is rising

Central government debt Explicit local government debt LGFV debt Government funds



Source: IMF | Chan K. S. | Breakingviews | June 17, 2024  
growth-rate-exceed-2-3-percent?lang=en

# The Middle East

## Four key strategic actors:

1. Sunni Muslim World – Mostly Arab.
2. Shi'a / Shi'ite Muslim World – Mostly Persian
3. Turkey
4. Israel



## Turkey

Strategic focus on the Turkish straits, the Black Sea, Russia, and the “Stans”

Syria and the Kurds are an irritation.

Staying out of the Israeli Wars.

The economy and Erdogan!

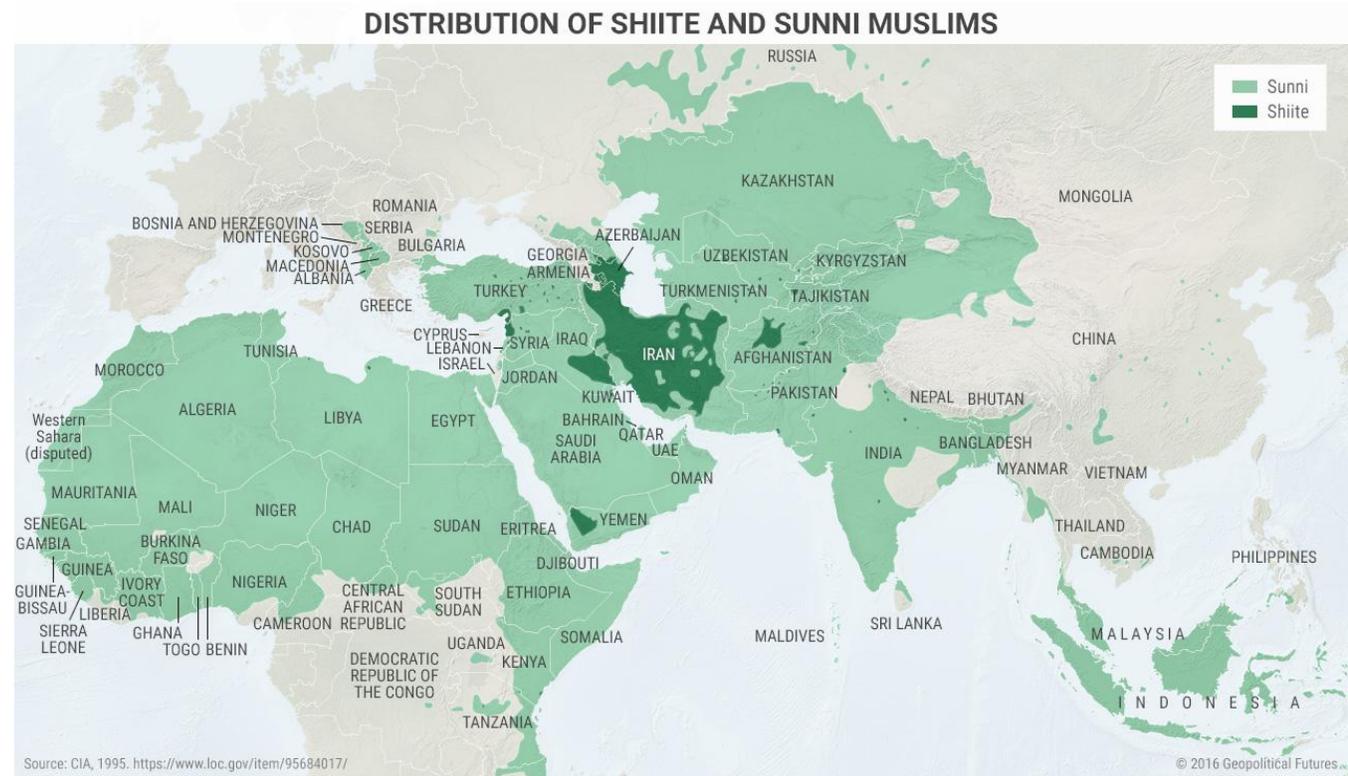


## Stability and the Balance of Power Theory

India and Pakistan

Iran and Iraq

Israel and its Arab Neighbours



# Iran's proxy war with Israel; or the US?

## Pressure from Russia?

Iranian proxies.

Iran and the US.

US support for Israel

Red Sea

Russia



# The War in Gaza

## A ceasefire; but no peace agreement

Iran becoming the focus of the Middle East

Peace between Israel and the Arab nations of the Middle East.

Wars in the ME tend to end with ceasefires.

Gaza was the two-state solution!

The role of dictatorial regimes.

Israel is running out of targets.



# Iran holds the key to the future!

The potential for a “black swan” event.

“A North Korean regime governing a South Korean population”.

The Iranian revolution.

Internal change in the Iran will change the Middle East!

# Q&A