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Transcript

Winners and Losers in a Leaderless World

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Bernice Lee:

Good evening everybody. Welcome to this Chatham House Members Event on 'Winners and Losers in a Leaderless World'. My name is Bernice Lee. I am the Research Director for Energy, Environment and Resource Governance at Chatham House here.

We're very happy today to have Ian Bremmer, who is the President and Co-founder of the Eurasia Group, to talk about his new book *Every Nation for Itself: Winners and Losers in a Leaderless World*. As you know, nowadays we suffer from huge leadership vacuums almost everywhere we look and in issue which I work on especially which is energy, environment and climate change. I cannot wait to hear what Ian has to say about the new world order which is awaiting us when no one, as he argues in his book, is able to drive any global agenda efficiently and effectively any more on their own. So without further ado, Ian, please we are looking forward to hearing from you.

Ian Bremmer:

Thank you. Should I stand, is that better? It's more energetic if I stand, right? You don't have to look at my socks for the entire time. You never know at these sorts of things.

First of all thank you for inviting me back to your august and venerable institution. It's been a couple of years but it's a pleasure and a privilege. [Last time] it was a smaller crowd and a smaller room – these issues are becoming more important. I was also told as I walked in that the speeches were kind of canned and not very interesting and the Q&A is where the excitement is. I don't can my speeches and I certainly don't write them down in advance. So if it's bad, it's bad in an improvisational way. So I hope you find it worthwhile.

I will talk a little bit about the book and the concept. I'll be a little wonky because I understand and appreciate and identify with the crowd and then hopefully the Q&A will be lively and hopefully then we can have more outside over drinks because I'm not going anywhere particularly. It's been a long day but I'm done now. This is fun. This is *entre-nous* and everyone you live tweet to.

Having just come from the United States, as I'm sure most of you are aware, there has been a large debate about whether or not the United States is in decline. It is not surprising that this is the most important debate on foreign policy going on in the United States because it is a narcissistic debate. We

are good at that because it is about us; everything depends whether or not we are in decline.

Let me first start by saying I find it an irrelevant debate. It's an irrelevant debate, even though I have a view on it, because whether or not you think the United States is in decline, whether you are Loose or Brzezinski, or Kagan or any of the others, whether or not you believe that, the United States is not going to bail out Europe. Geithner, Secretary of the Treasury, is not going to come over frequently, he is not writing cheques. That is clear. Whatever your view on whether or not the US is in decline, the US is not going to send troops back to Iraq, not going to expand the surge in Afghanistan. There is no one remotely electable on the Republican or Democratic side that would do that thing. They are not going to take the lead on climate change globally; they're not going to remove Assad from power; and let me say somewhat controversially, they're not going to bomb Iran, which is one of the reasons why everyone keeps asking if Israel's going to do it. My answer to that is also no, though its with less certainty. But the United States is not.

So if whether or not the US is in decline is not driving the answer to any of these pressing questions, then what is the question we should be asking. And the question, I think, we should be asking is, what's the nature of the world order? If not the US, [then] who? If nobody, then what? And nobody is a reasonable answer. You know, Americans love to say that things are intolerable when things are not intolerable, right? When the North Koreans said they were going to test the nuclear weapon, we said that it would be intolerable. They tested the first one, we got angry, they tested the second one, and we got angry. We have done precisely nothing to change that reality. When Obama was going to become President he said that keeping Guantanamo open would be intolerable. Turns out he could tolerate it. Romney has now said that on the first day when he becomes President he would declare China a currency manipulator. Were he to become President, which is plausible, I can assure every single one of you in this room he will do no such thing. It is tolerable.

And by the way, the Israelis say that it is existential threat to them if the Iranians develop a nuclear capacity. I assure that it is a very bad thing, it is a dangerous thing [and] it is a destabilising thing but is it an existential threat to a country with two hundredish *[sic]* nuclear weapons? That's farcical. Why don't we say it? I know why we don't say it, but the point is why don't we think it, at least think it and as a consequence it should affect the way we think about foreign policy.

When I talk about the G0, what I'm really talking about is creative destruction in the geopolitical order. We have creative destruction in the business environment all the time. We used to have independent bookstores in lovely cities across the developed world. Then Barnes & Noble and Borders and other places came along, Waterstones and the rest of them and those independent bookstores adapted or they died, then Amazon came along and those stores adapted or they died. It's creative destruction and it causes pain but it also leads to new productivity and efficiency and all of that.

Creative destruction rarely happens in the geopolitical environment. I would argue that the last time it happened in earnest was at the end of World War II. It is happening now. After World War II, the United States created the order that we have experienced for over half a century. American institutions, American values, the American political and economic system, American allies, American capital, the Bretton Woods Accord on currency, the UN (United Nations) Security Council, the General Assembly, the IMF (International Monetary Fund) and World Bank. All of these equally august and venerable institutions sound global – the World Bank sounds global, the World Series sounds global, right? We have a Canadian team, that should be sufficient. That's my perspective but of course the World Bank also, we have an American President, we let some other folks in in terms of voting rights and the rest and we listen to them but we do what we want to do. That's the World Bank, that's the American-led World Bank.

I'm not trying to mock this. I'm trying to set the reality of the world order post-World War II... globalisation that didn't just happened mechanistically, it happened because the United States drove it. But over the last 30 years the underlying balance of power of course shifted away from the United States and its allies towards China [and] towards the developing world – away from debtor states towards creditor states. Well it doesn't take a genius to understand that when you have architecture and values and standards and systems that are created by a world order that no longer exists in reality then at some point it is going to break and the collapse of the Soviet Union was an insufficient shock to bring that break to the fore. 9/11 was insufficient.

But the 2008 financial crisis was sufficient and that's when of course we talked about the creation of the G20 – a great idea. The world's 20 largest economies all getting together, developed and developing harmoniously and saying we will work on providing collective leadership to determine outcomes that will provide ultimately public goods so that we can run our world in a more effective, efficient and humane way. It's a great concept; I am in favour of it as a concept. I love the idea of a Doha Round on trade. I love the

concept of a global accord on climate. I want a pony for Christmas; I want all of these things. None of them are going to happen, so we have the aspirational G20. I brought it up... I was at Davos last year. I bring up the fact with Il Sakong who was at that time was the South Korean Sherpa, the presidential envoy for the G20 and we get into a fight.

He says, 'Ian, what do you want? The G20 isn't good enough for you. What do you want? You want more countries? Do you want to G192? What do you want? You want less? The G7, the G8?'

I said, 'It's not what I want. What I want is irrelevant. It's what we have. That's all.'

So, what do we think about that? If I'm right and we're in a G0 environment now? Briefly, what are some implications of that? The first implication is a lot more instability, a lot more volatility, a lot more risk. As we think about what that means for who does well, it's no longer, 'Let's go and invest in emerging markets that are all about growth,' you're concerned more about resilience, you're concerned more about safety so the combination of resilience and growth becomes much more important. It benefits the Europeans, it certainly benefits the United States, in some ways it benefits Japan. It is a problem for countries like China and Russia that have a lot of growth but don't have resilience. And I certainly want to talk about China a lot with you guys in this conversation.

If in the old US-led world order the way to win was to align yourself with US-led globalisation, in this new G0 order you want to adapt, you want to be able to adapt and be flexible because lots of different countries will have different standards, different preferences [and] different modes of integration. You want to be what I call a pivot state. Mexico doesn't pivot: trade, remittances from Mexicans abroad, tourism [and] drugs, Mexico is all about the United States.

Canada can pivot. I was with the Canadian Foreign Minister a few months ago – John Baird – and his first comment to me was how proud he was as foreign minister that his first trip abroad was to Beijing and not to Washington. Why? Well, because the United States and Europe are in inextricable decline. Now, I don't care if you agree with that. I don't care if I agree with that – that's not the point. The point is that if Obama decides he is not going to build the Keystone-Exxon pipeline up to Canada for exploitation and transport of the Canadian oil sands, I know 1.3 billion Chinese that would love to have that bridge, right? We know that British Columbia started exporting more timber to China than the United States as of a year ago. As climate change continues I

can think of a northern shipping route that's going to bring Canada in closer contact with lots of countries around the world. That's a much better position to be in.

Ukraine doesn't pivot. They would like to pivot, they would like to have the European Customs Union: they don't, they are stuck to Russia. Turkey pivots well especially now that they have jettisoned the Israelis. Taiwan doesn't pivot. Even though the Taiwanese President last time I saw him was all in favour of trans-pacific partnership, new trade agreements with Singapore, Australia and New Zealand, they can't pivot. Their business and their economy is only in China and expanding every day. Indonesia, in my view, pivots very well. Kazakhstan pivots well, Mongolia does not. So this is one broad point I would like to mention. It's a different way to think about how we perceive some of the winners and losers in this environment.

The United States, in my view, is not particularly a loser in this environment. Sure you would prefer a world order where the US was dominant. Given that creative destruction is going to happen, number one, you want it to happen earlier rather than later. You would much rather the 2008 financial crisis happened then than in 2018 because in 2018 the underlying balance of power will be much further away from the US and allies and as a consequence of that is the ability of the US and other like-minded states to create new architecture and new structure is much more challenged.

The problem that the United States has is the safe-haven curse. It's like the Dutch Disease but it doesn't involve the resources. And still it involves a whole bunch of investors that think that the US is a very important safe-haven in the G0 so as a consequence the US is not pressed to make the kind of long term decisions they desperately need to [in order] to really be sustainable and strong in 10, 20 or 30 years on deficit reduction and perhaps more importantly on education and the rest. That is a challenge I see for the United States. In the near-term the US looks perfectly good in a G0 environment.

I do not believe that the G0 is sustainable. Nature abhors a vacuum; geopolitics abhors a vacuum as well. What comes next? I'll give you what I think comes next. I'm not certain about it. I don't feel certain about it. I would be with a lot of hubris if I were to say I felt certain about it. But I think there are two important questions to answer if you want to know what comes next. The first question is, what is the disposition of the world's two most important economies towards each other – the United States and China? Are they going to be more harmonious than competitive or not? And the second is how

much do other countries matter as actors globally? Do they matter a lot or do they matter a little? And that's in relative terms. If you can answer both of those two questions I think you have a pretty good sense of what is likely to come from the G0 and to make a key point and how much there's a transition here.

I believe that with the G0 we see the end of US-led global institutions. Going forward I think we're going to have US institutions that aren't global, global institutions that aren't US-led, or neither. And I would argue that we have not yet decided what we want to do on this stuff. In trade with the Trans-Pacific Partnership we are starting to say we want US-led institutions that aren't global. We're starting to. We're saying, 'Doha is dead, let's find an organisation that brings Canada, Mexico, Japan, South Korea, Australia [and] like-minded countries together.' It'll be a smaller grouping but a more meaningful grouping and that's how we'll do trade architecture.' It's nascent, not signed yet, there are a lot of problems, not everyone buys in but that's an idea. The US is not doing that at the World Bank, they're not doing that at the IMF, they're not doing that at the G20, they're not doing that with the Europeans on trade, there are many places they're not doing it. It's interesting.

So to get back to those two questions: my preliminary answers. The US and China heading in a more negative direction and I'd make a fairly strong bet on that. It's kind of interesting in the election period in the United States and I'm sure people have questions on this, Romney was recently asked about America's geopolitical condition and he said, 'You know the number one geopolitical foe to the United States is Russia', which is only 30 years out of date – not bad. Then Obama gets the same question and he says, 'The number one geo-political foe for the United States is Al-Qaeda,' [which is] only a few years out of date – not bad.

I happen to think that China is the Voldemort of countries, right? It is the geopolitical foe whose name must not be spoken. Don't mention China because that's only going to make matters worse. But of course the reality is Obama doesn't have doctrines, he doesn't do doctrines because doctrines imply long term strategic direction which limits flexibility; he hates that on foreign policy. He doesn't want to do it. To the extent that he has a doctrine. That doctrine is economic state craft and a pivot to Asia both of which are completely and inextricably focussed on China, right? Ask Hillary Clinton about this issue, 'What is the pivot to Asia all about,' and she says, 'We welcome the peaceful rise of China, as long as they behave the way we want them to.'

'Do you expect them to behave that way?'

'Well, not really.'

'Well what happens if they don't behave that way?'

'Well then it's a hedge.'

'What do you mean by hedge?'

Silence.

But of course the Japanese know what we mean by hedge – they think we mean containment. More importantly the Chinese are not stupid. The Chinese understand this too. On security in the East and South China Sea, on cyber, on indigenous innovation, clearly, to the extent that the US is expanding strategic brainpower and cash and political coin, it is because they are concerned about the potential of China rising as the United States largest geopolitical foe. Certainly if I want to be metaphysical I could say the biggest geopolitical foe to the United States is itself. But that's kind of boring and we don't want to go there in international affairs, let's not do that. So I think that the US and China are heading in a much more negative direction and we can unpack why that is going forth.

I also believe that other countries are going to play a very significant role on the global stage. In part I believe that because some of these countries are really coming into their own: certainly India long-term *vis-a-vis* China, yes; certainly Turkey in the region and beyond, yes; certainly Brazil in the region and beyond, yes. I would even make this argument in Europe but I'd make it for Europe in part because the United States and China will be very limited in what they are willing to do: the United States for reasons having a lot to do with the nature of the US constituency. Increasingly, a large number of Americans do not believe they benefit from US-led globalisation. Increasingly large numbers of Americans do not believe the US should be the global policeman or the global lender of last resort. Why should we spend money in Afghanistan? Why should we put our troops over there when we're not fixing New Orleans after Katrina? That's not a winner in the United States. No Republican or Democrat has a very good answer to that and that is not going to change in the near term unless it just becomes exasperated.

Furthermore if you think that's an issue in the US, it's a huge issue in China where overwhelmingly the focus is ensuring the political viability and sustainability of the regime. That doesn't get easier over time, that gets harder over time. No one is kicking a bigger can longer down the road than the Chinese, not the Americans, not the Europeans, not the Japanese, but

the Chinese, because they must fundamentally restructure their economic and political system to keep the darn thing going. They know this. They have identified the problem. Well it doesn't mean they can implement on it. [It's a] big uncertainty.

So for those reasons I believe other countries will matter a lot. And if I'm right and coming out of the G0 we have an environment where the US and China are heading for more confrontation and other countries are going to matter a lot. What does that mean? That means we're not going to have a reversion to global leadership; that means we're going to end up in a world of regions. But those regions do not imply globalisation – writ small – because the regions run completely different from one another. As a region Europe, as you know, runs comparatively well. Again, comparatively, when you think about the institutions and rule of law, that integration are relatively voluntary, that it is largely transparent, that it is based largely on common economic and political values.

Now go to Eurasia just a little bit to the East and what does integration look like? It is much more coercive, it is much more informal on the basis of relations between heads of states and oligarchs and security services, and it is much more on the basis of energy and security relations with Russia. It is a very different kind of integration.

What about the Middle-East? If the international community is going to play less of a role in the Middle-East, what drives integration in the Middle-East? Well, the most important countries in the region – Saudi-Arabia, Turkey and Iran – all support completely different proxy players across that region. The Saudis supporting Sunni Arab monarchies and militaries – largely the status quo; the Iranians supporting the Shia disenfranchised populations in these countries; the Turks are closer to the Saudis but still to the extent they support the more secularised, urban middle classes. If those are the countries that are going to do most of the driving then they're not driving integration, they're driving fragmentation. Sectarianism is the most important issue to see where cleavages will be and where integration will be in the Middle-East. That's really important. It doesn't bode well for the Middle-East and beyond.

In Asia if you're focussed on economics you are integrating towards China but if you're focussed on security you're integrating towards the United States but for how long is that sustainable? And you have to ask yourself will the United States continue to provide that level of guarantee especially if they don't feel that they're benefiting sufficiently from it economically. And perhaps more importantly, will the Chinese permit these countries to maintain that level of

balance or hedge or pivot as the Chinese develop much stronger economic relations and influence and therefore political influence. For some countries the answer will still be yes, Singapore for example. For other countries the answer will be much more challenging over time.

So that is the way that I sort of unpack a little bit of the G0 world and where we're going. I think it's an interesting model to play with. It's certainly gotten a lot of people to talk about it. I really appreciate how many of you have come out on a rainy night tonight here in London. I'm sure you're entertainment options are manifold and I suspect many of you will be getting to them after this is over but for now I'm glad you're here with me and I'm looking forward to a really lively discussion with everybody. Thank you very much.