

# *The 2016 Sir Hermann Black lecture: the year in review*

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*2016 was characterised inter alia by a confident, assertive China; the United States stepping back from its global leadership on trade and signalling the end of the American imperium; autocratic, nationalistic and hegemonic leaders in Russia, Turkey, Iran, and China; weak liberal democracies in the West, challenged by the 'alternative right' and the growing acceptance by their electorates of a 'post-truth' world and an anti-globalisation agenda; civil wars in the Middle East; the geographic contraction of Islamic State's caliphate; and terrorism globally. The year ended with the global outlook very uncertain and Australia needing to reassess its defence needs.*

**Key words:** 2016; China; United States; Russia; Turkey; Iran; European Union; Asia; Australia; Brexit; anti-globalisation; trade protectionism; mass migration; civil wars; terrorism; nuclear proliferation.

Sir Hermann David Black AC, who graduated with first-class honours and the University medal in economics from the University of Sydney in 1927, taught economics at the University from 1932 to 1969 and was the University's chancellor from 1970 to 1990. He studied foreign and economic policy as a Rockefeller Foundation fellow in the United States and in Europe from 1936 to 1938 and at the State Department in Washington in 1951. He was particularly interested in the application of economic theory to practical issues and was an exceptionally talented orator. Indeed, radio broadcasting as a news commentator for the Australian Broadcasting Commission made 'H. D. Black' a household name<sup>2</sup>. When he was the University's chancellor, each November he addressed our Institute entitling his lecture 'The Year in Review'. In it he examined the year's key strategic events and their implications for Australia.

It is now my honour to deliver the 2016 Sir Hermann Black Lecture. I will summarise the main strategic events of 2016 in the H. D. Black manner. I will begin by looking at the nation-states and events that have had strategic influence globally and then address some of the trends that have emerged. I will conclude with some thoughts on the implications for Australia.

## **The European Union**

Let us consider Europe first. It has been another difficult year for the European Union. Europe has not recovered from the global financial crisis of 2008. Its southern members – Portugal, Spain, Italy and Greece – in particular, remain in straitened circumstances with their electorates unwilling to accept the economic discipline imposed from the centre.

Europe, too, has been forced by circumstances to accept the lion's share of the world's refugees fleeing war and poverty in the Middle East, Africa and elsewhere. Attempts to stem the flow at best have met with only moderate success.

Germany and France remain Europe's bedrock, but the challenges posed by the economic difficulties, the mass inflows of migrants, and imported and home-grown terrorism, have shaken even Germany's chancellor, Dr Angela Merkel.

Many of these concerns were crystallised in a referendum in June when Britons voted in favour of leaving the European Union (contrary to the judgement of most British parliamentarians). A key issue for voters was the desire to take back control of Britain's borders. The vote led to a change of British prime ministers and a decision by the government to effect 'Brexit' within two years.

The Brexit decision also reflects growing nationalism across Europe and a strong tilt to the political 'right', including resurgent fascism<sup>3</sup>. Indeed, right-wing politicians are now well-placed to seize government in France, Germany and elsewhere in the next round of elections. For example, in France, François Fillon, a former conservative prime minister who admires Vladimir Putin, is likely to be running against Marine Le Pen, president of the far right National Front, in the 2017 presidential elections; and, in Germany, the Alternative for Germany, a right-wing, populist, Eurosceptic and anti-immigrant party, is throwing out a strong challenge to Dr Merkel.

It is not yet clear what effects these developments may have on NATO<sup>4</sup>, European and global trade, on the stability of Europe, and on security in Europe and beyond. After all, European unity was planned 70 years ago to prevent another war among the European powers.

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<sup>2</sup>Fletcher, B. H. (2007). Black, Sir Hermann David (1904–1990), pp. 104–106 in Diane Langmore, ed., *Australian Dictionary of Biography* Volume 17 1981–1990 A–K (Melbourne University Press: Melbourne).

<sup>3</sup>Fascism is a radical political philosophy that advocates a system of government and social organisation based on right-wing authoritarian nationalism.

## Russia

Russia, of course, is both a European and an Asian power, but it remains outside the European Union and is not a member of NATO. It is dominated by its autocratic, tsarist-style president, Vladimir Putin, whose vision is to regain the glory, if not all the territory, of imperial Russia. This seems to include exercising hegemony and perhaps even suzerainty over bordering states<sup>5</sup>. He enjoys strong electoral support.

Putin's vision and determination are manifest in eastern Europe by his continued annexation of Crimea and his continued support for the separatists in the Russian-speaking provinces of the Ukraine, despite strong economic sanctions imposed on Russia by Europe and the United States. These sanctions are now damaging Russia's economy.

Incidentally, the Dutch-led investigation team which examined the July 2014 crash of Malaysian Airlines Flight MH17 in eastern Ukraine, reported in September that it had compiled conclusive evidence that MH17 was shot down by a Russian BUK surface-to-air missile supplied by Russia to its Ukrainian proxies. The motive for shooting the plane down and from whence the orders for doing so originated, though, remain unclear.

Putin's vision is also manifest in eastern Europe by his opposition to NATO encroachment into the states bordering Russia, including the conduct of NATO exercises there. He described the deployment in May of a NATO anti-missile shield in Romania – ostensibly to protect Europe from rogue-state (Iranian and North Korean) missiles – as a threat to Russia.

Putin's vision is further manifest on Russia's southern borders where Putin has maintained support for Russian-speaking provinces in the Caucasus and for Syria's president, Bashar al-Assad, in that country's civil war. In a show of strength in October, a Russian naval squadron, led by its only aircraft carrier, sailed from the Baltic through the English Channel to the eastern Mediterranean where its ground-attack aircraft began supporting Assad's forces.

In the far east, Putin is reasserting his interest in Vladivostok and the Russian Pacific Fleet; and has demonstrated a new willingness to co-operate with China and the Philippines.

Putin took the unprecedented step of attempting to influence the outcome of the United States presidential election in November in favour of one candidate, Donald Trump, who had expressed admiration for Putin and had promised to remove the economic sanctions. If Putin were able to have the sanctions lifted, it would strengthen his re-election chances in 2018. There also is evidence that Russia, having succeeded in the United States, is now

deploying the same tactics (cyber espionage and use of social media) to undermine Dr Merkel's re-election chances in Germany.

## Turkey

Turkey also is both a European and an Asian power. It is a member of NATO, but its bid to join the European Union is still being rebuffed (due mainly to human rights concerns).

Turkey continues to be led by President Recep Tayyip Erdoğan, an autocratic nationalist in the Putin mould, who has dominated Turkish politics since 2002, despite an attempted military *coup* last July. Erdoğan's vision is to regain the glory of the Ottoman caliphate, including moving Turkey from a secular to a Sunni Muslim republic.

The *coup d'état* was carried out by a faction within the Turkish Armed Forces on 15 July. It failed after Erdoğan called his supporters out onto the streets in Ankara, Istanbul and other cities. They responded in massive numbers enabling forces loyal to the state to defeat the *coup* attempt.

The *coup* leaders cited erosion of secularism, the elimination of democratic rule, a disregard for human rights, and Turkey's loss of credibility in the international arena as reasons for the *coup*. The government accused the *coup* leaders of being linked to the Gülen movement, designated in Turkey as a terrorist organisation and led by Fethullah Gülen, a Turkish businessman who lives in the United States. Gülen denies being behind the *coup*.

Erdoğan has used the *coup* attempt as an excuse for a massive purge of the public service, the judiciary, the army, universities and other institutions of state, strengthening his hold on power. The purges reflect a complex power struggle between Islamist and ultranationalist elites.

Erdoğan also has continued to target the Kurdish minority within Turkey and in Iraq and Syria. Some Kurds have responded with acts of terrorism which helps Erdoğan justify his suppression of them.

Erdoğan has continued his opposition to Syria's president, Assad, due to Assad's suppression of Syria's Sunni majority. To this end Erdoğan had been a covert supporter of Islamic State (IS) in Syria, permitting its supplies and reinforcements to passage through Turkey to Syria, despite also waging war against IS in Turkey since 2013. This covert support ended following IS terrorist acts in Turkey in January and March.

Erdoğan also initially opposed Russia's use of combat aircraft to support Assad. A Turkish F-16 fighter shot down a Russian Su-24 attack aircraft which violated Turkey's airspace on 24 November 2015, believed to be in retaliation for the bombing of Turkey-linked rebels in Syria. In recent months, though, there appears to have been an accommodation reached between Erdoğan and Putin.

## Iran

The Islamic Republic of Iran, a middle power strategically situated east of the Persian Gulf, remains a hybrid Shia Muslim theocracy – parliamentary democracy. The supreme leader is Ayatollah Ali Khamenei, a hard-liner, and the prime minister is Hassan Rouhani, a moderate. Iran is fiercely independent, proud of its Persian heritage and conscious of its oil and natural gas riches and the

<sup>4</sup>NATO is the North Atlantic Treaty Organisation, a military alliance of European and North American democracies founded after World War II to strengthen ties between the United States and Europe and to serve as a counter-balance to the Soviet Union and the Warsaw Pact. It has continued since the demise of the Soviet Union and has been joined by several eastern European former Warsaw Pact nations. Russia sees it as a threat.

<sup>5</sup>Hegemony is the exercise of leadership and even dominance by one nation over other nations, usually its neighbours; whereas suzerainty goes further and involves the control of foreign policy and international relations while allowing internal autonomy.

political power they convey internationally. It does not yet possess nuclear weapons, but with Russia as its only major ally, it sees the need for nuclear weapons to enhance its standing on the world stage and as a counter-balance/deterrent to Israel's nuclear capability. It has been working assiduously to develop its own nuclear capability for several years.

The permanent members of the United Nations Security Council (United States, United Kingdom, Russia, France and China), plus Germany and the European Union reached an accommodation with Iran on the Iranian nuclear programme in July 2015. The Joint Comprehensive Plan of Action came into effect in January 2016. In return for verifiable nuclear non-proliferation controls which would prevent Iran developing nuclear weapons, the contracting parties lifted the sanctions they had imposed and which had proved crippling for the Iranian economy. This strengthened the hand of the moderates within the Iranian government.

Iran remains committed to supporting Shiite communities in Iraq, Syria and Lebanon economically and militarily. In the so-called Sunni-Shiite war in the Middle East, Iran with the support of Russia, in effect, is at war with Saudi Arabia and Turkey through their proxies in Syria and Iraq. The United States finds itself supporting both sides at the same time, but in different places.

### United States

This year is the final year of his 8-year presidency and despite a hostile congress in a deeply divided nation, United States president, Barack Obama, has striven hard to cement in place the foreign policy gains of his presidency – ending the wars in Iraq and Afghanistan; degrading al-Qaeda (including killing Osama bin Laden) and IS; the military and economic rebalance ('strategic pivot') to Asia in response to China's rise; and the nuclear accord with Iran, among others.

At the end of Obama's term, the United States remains the world's only superpower. Yet it has been wearied by seven decades of serving as the world's policeman. It also has been weakened by his predecessor's legacies – the wars in Iraq and Afghanistan and the global financial crisis of 2008, from which recovery in the United States has been very slow. Further, while the global free-trade agenda has benefitted many Americans, especially the more wealthy, major pockets of poverty have developed in towns and rural areas that have been the losers in the shift from the 20<sup>th</sup> century 'industrial age' to the 21<sup>st</sup> century 'information age'.

Perhaps it was not surprising then that the 'losers' and their supporters in the 'alternative' and religious (Christian) right were able to muster sufficient electoral-college votes to have their candidate, Donald Trump, become president-elect in November. This shocked most pundits and the United States 'establishment', Republican as well as Democrat. As in Britain, the political elite and the media had misread the mood of the electorate.

Donald Trump is a demagogue, that is a political leader who seeks support by appealing to popular desires and prejudices rather than by using rational argument. To this end, he is in tune with the social media 'post-truth' zeitgeist<sup>6</sup>. He is another world leader who admires Vladimir

Putin. His policy platform included:

- sizable income tax cuts and deregulation domestically, coupled with investment in infrastructure renewal;
- reaching out to Russia by ending economic sanctions;
- anti-globalisation, trade protectionism and reduced immigration – including building a wall along the Mexican border and forcing Mexico to pay for it, mass deportation of illegal migrants in the United States back to their countries of origin and banning Muslim immigration;
- imposing a 45 per cent tariff on imports from China;
- requiring NATO countries, South Korea, Japan and other allies, potentially including Australia, to pay and do more for their own defence – in March, he suggested that Japan, South Korea and possibly Saudi Arabia should acquire their own nuclear weapons; and
- declared opposition to new free-trade agreements, including the 12-nation Trans-Pacific Partnership (TPP), a central plank of the Obama pivot to Asia.

Trump's political positions and his descriptions of his beliefs have frequently changed and often have been vague or contradictory. He made some seemingly outrageous promises during the election campaign, but since the election has seemed to tone some of them down. Consequently, the future for the United States and the world is now uncertain.

The 24<sup>th</sup> APEC Economic Leaders' Meeting on 20 November in Lima, Peru, followed the United States presidential election. Recognising that Trump's anti-TPP position had bipartisan support in the United States Congress, the United States at the meeting, in effect, ceded its leadership of global economic policy to China<sup>7</sup>.

### China

China is now the world's second-largest economy and is Australia's largest trading partner. It is also the largest trading partner of the United States and many countries in Europe, Asia and Africa.

China continues to be led by president and paramount leader, Xi Jinping, an astute autocrat and nationalist, whose vision is for the great revival of the Chinese nation. Internally, his centralisation of power and anti-corruption campaign have eliminated most opposition. Externally, he has championed a more assertive foreign policy (particularly in relation to China's claims to East and South China Sea islands), involvement in Asian regional affairs, and initiatives related to energy and natural resources.

Xi is critical of Obama's strategic pivot to Asia, which he views as an attempt to encircle China. He sees China as the natural hegemon in Asia just as the United States is in the Americas, but he recognizes that military confrontation

<sup>6</sup>"Post-truth" was the *Oxford Dictionaries'* 2016 word of the year, an adjective defined as "relating to or denoting circumstances in which objective facts are less influential in shaping public opinion than appeals to emotional and personal belief" [<https://en.oxforddictionaries.com/word-of-the-year/word-of-the-year-2016>]; accessed 13 January 2017].

<sup>7</sup>[http://www.apec.org/Meeting-Papers/Leaders-Declarations/2016/2016\\_aelm.aspx](http://www.apec.org/Meeting-Papers/Leaders-Declarations/2016/2016_aelm.aspx); accessed 13 January 2017.

between China and the United States would spell disaster for both countries.

Xi has developed stronger relations with Russia since the Ukraine crisis and to a lesser extent with South Korea, but has been tougher on North Korea. His relations with Japan are strained over the disputed Senkaku/Diaoyu islands.

Xi has wielded soft power astutely in a long-term wooing of third-world nations in Africa, Asia and the Pacific. He has actively pursued the China-Pakistan Economic Corridor; the String of Pearls policy (the development of military and commercial bases along the maritime lines of communication through the Indian Ocean between China and Port Sudan); and the land and sea versions of the Great Silk Road to Europe ('One Belt, One Road').

### **East and South-East Asia**

China's Southeast Asian neighbours, spooked by China's rise and its vigorous assertion of its territorial claims in the South and East China Seas, initially responded by tilting towards the United States. Last July, the Philippines won a case against China's territorial claims in the Permanent Court of Arbitration. China rejected the decision.

Concurrently, though, as already mentioned, Britain voted to exit the European Union ('Brexit') and the United States presidential election campaign revealed a nation bitterly divided. The eventually successful candidate, Donald Trump, stood on a platform which included, *inter-alia*, strategic isolation and anti-globalisation, and which required Asian allies to carry much more of the military and financial burden for their own defence, including nuclear defence. Many of his issues were common with 'Brexit' and he described his approach as "Brexit plus, plus, plus".

Not surprisingly, perhaps, given these trends, newly installed Philippines president, Rodrigo Duterte, announced a 'separation' from the United States in October and a profound tilt towards China and Russia. He may yet require the United States to remove its military bases from the Philippines. To a lesser extent, the Malaysian prime minister, Najib Razak, also flirted with a tilt towards China.

In contrast, Indonesia's president, Joko Widodo, re-asserted his nation's determination to maintain its territorial integrity and asked Australia to assist it to patrol the fishing grounds around the Natuna Islands (in the South China Sea north of Indonesian Borneo) which are also claimed by China.

Islamist militancy remains an issue in our region, especially in southern Thailand, southern Philippines and Indonesia. Myanmar, although promising much under a post-military government led by Nobel peace laureate, Aung San Suu Kyi, appears still to be oppressing its Rohingya Muslim minority further adding to the regional migrant flow.

### **Mass Flows of Migrants**

Indeed, the civil wars in Afghanistan, Iraq, Syria and elsewhere, along with poverty in Africa and parts of Asia, continue to generate mass flows of migrants seeking a better, more secure future. These migrant flows are now on a scale not seen since World War II; and they can provide cover for persons bent on terrorism. It is in the interests of

all nations that these wars be stopped and their causes be addressed.

The Palestinian question also remains to be resolved, with the two-state solution now seemingly further away than ever, no other solution in prospect and both sides intransigent.

### **Civil Wars in Afghanistan, Iraq and Syria**

Let me quickly review the state of play in the three civil wars just mentioned.

#### ***Afghanistan***

Afghanistan remains fiercely independent and tribal. Since NATO forces handed over control to Afghan forces in December 2014, some 13,000 NATO troops and 26,000 military contractors have remained in an advisory and counter-terrorism capacity, executing airstrikes on Taliban positions and providing close air support for the Afghan forces. Nevertheless, the Taliban has been resurgent, including in the northern provinces. A political accommodation with the Taliban sooner or later would appear inevitable.

#### ***Iraq***

The Second Iraqi Civil War began in 2014 when IS swept through north-western Iraq seizing key towns and cities and driving the numerically superior Iraqi National Army before it. The offensive petered out on the outskirts of Baghdad.

The war now is one between IS on the one hand and on the other Iraqi government forces and Iraq's Sunni and Shia militias supported by Iran and its Shia militias, the United States, Australia, New Zealand, Russia and other allies. Much to the displeasure of Baghdad, Turkey also has become involved, uninvited, apparently to keep an eye on the Kurds.

In offensives begun early this year, Iraqi forces regained control of Hīt and Ar-Rutbah; and then after five months fighting, Fallujah fell in June. The battle for Mosul, Iraq's second-largest city, began in October. It is the last IS stronghold in Iraq and its fall, which now seems inevitable, will represent the end of the IS caliphate in Iraq. When this happens, IS can be expected to revert to terrorism perpetrated by its diaspora in their home countries.

The questions now are whether the Iraqi government is able to protect its Sunni citizens from Shia reprisals after the fall of Mosul and whether it can stop IS escapees from linking up with their brethren in Syria.

#### ***Syria***

Russian support for Bashar al-Assad has tipped the civil war in Assad's favour, although until very recently he lacked the military strength to seize the last major stronghold of the Sunni rebels, east Aleppo.

On 22 September, the Syrian army declared a new offensive in Aleppo. By the end of November, with some 275,000 civilians in east Aleppo reported to be on the brink of starvation, the Syrian army was reported to be gaining ground in the east, splitting the rebel forces in two. The fall of Aleppo could mean the end of this phase of the civil war, with Assad left in power and facing whatever remnant guerrilla activities may follow.

IS in Syria also has largely been forced back to the 'capital' of its caliphate, Al-Raqqah. On 26 October 2016, United States Defence Secretary Ash Carter said that an offensive to retake Al-Raqqah would begin within weeks. Should Al-Raqqah fall also, the caliphate and IS's claim to statehood would fall along with it.

### Terrorism

Terrorism continued to be a major security issue globally in 2016. Much of it was organised or inspired by IS or al-Qaeda, but there were numerous other non-state perpetrators, including 'lone-wolf' agents. Incidents occurred somewhere around the globe almost daily, with few nations being spared. Total loss of life due to terrorism in 2016 is unknown but numbered several thousand, with many more physically and/or mentally injured. There were some 22 incidents each involving more than 100 deaths, all were committed by IS and occurred in either Iraq or Syria. These totalled more than 4700 killed<sup>8</sup>.

### Strategic Trends

The key strategic trends to emerge from this review are:

- the emergence of autocratic, nationalistic and hegemonic leaders in Russia, Turkey, Iran, China and possibly the United States, Germany and France;
- the weakness of liberal democracies in the West and the challenge to them from the 'alternative right' and in some places the left;
- the growing acceptance by electorates in the West of an anti-globalisation agenda, including trade protectionism and immigration reduction, which may damage economies globally;
- the failure of political elites in the West to recognise the change in mood in their electorates;
- the apparent abandonment by the United States of its global leadership on trade which it appears to have ceded to China;
- the weariness of the American public with its 'global policeman' role, potentially signalling the end of the American imperium and the *Pax Americana*;
- globally, Islamic terrorism may increase should the IS caliphate cease to exist;
- the confident assertiveness of China as it positions itself for regional and possibly global leadership; and
- the future outlook for the United States and the world is now very uncertain.

### Implications for Australia

These trends notwithstanding, the United States remains the world's only superpower and it has been the guarantor of stability and a rules-based international order in our region ever since World War II. Australia should do everything in its power to keep the United States engaged in the Indo-Pacific.

Australia also should continue to work for the maintenance of the United States nuclear umbrella, against

further nuclear proliferation and to keep nuclear weapons out of the hands of terrorists. It is also in Australia's interests to encourage continued trade links and to counsel against the break-up of the European Union.

Given the uncertainty, though, Australia should take president-elect Trump at his word and work on the assumption that he will be more isolationist and will pursue a nationalistic anti-globalisation agenda inimical to our trade interests and to our defence and security.

Accordingly, we should strive for self-sufficiency in defence and security. This will necessitate a much greater investment in defence to create a balanced, sustainable, self-sufficient defence force – a genuinely credible deterrent within the Indo-Pacific region. This inevitably will have to be at the expense of some expenditure on health, education and social security.

Further, we should strengthen our defence co-operation with our neighbours Indonesia, Timor Leste, New Zealand, Melanesia and France with a view to developing the capacity to defend our neighbourhood, unaided if necessary. Coupled with this, wider defence co-operation with India, Malaysia, Singapore, the Philippines, Japan, South Korea and China should be actively explored.

Finally, Australia must try to avoid being squeezed between China and the United States. To this end, the global strategic uncertainty is creating an opportunity for Australia to manoeuvre in its own right, free of the perspective of being the little brother of the United States. With a heightened level of adaptability and diplomatic sophistication, the uncertainty could be leveraged into 'affiliations' with Singapore, Japan, India and others to craft a balancing group to both major powers. Such a balancing group may be able to use soft power both to re-assure China and to shape China down a more neighbour-friendly path.

### Conclusion

The world stands at a crossroad. It can continue to move forward towards greater international co-operation on trade and security within a rules-based global order; or regress towards nationalism, with its regions dominated by hegemonies and suzerains. Should the latter direction be taken, it will not be a comfortable environment for Australia. We must do what we can to avoid that outcome, but plan and prepare ourselves for it, because what was unthinkable a year ago is now very much in prospect.

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<sup>8</sup>[https://en.wikipedia.org/wiki/List\\_of\\_terrorist\\_incidents,\\_2016](https://en.wikipedia.org/wiki/List_of_terrorist_incidents,_2016); accessed 11 January 2017.