

# Make sense of geo-politics for investment decisions

---

Dr Keith Suter | Global Directions | 12 May 2016

## INTRODUCTION

- The role of the mass media in helping us to understand geo-political issues.
- The world is becoming a safer place.
- Six emerging issues.

## THE ROLE OF THE MASS MEDIA

### 2. The Importance of the Mass Media

- The essence of "mass media" – the process of communication of information (true or false) beyond one person (e.g. human voice, musical instrument such as a bugle sound for "charge"), newspaper, radio, television, internet.
- Media are our eyes and ears on the world – the media define "reality".
- Mass media filter facts and make sense of the world for us – media provide the "first draft" of history.
- The media as agenda-setters – they don't tell us what to think but they do tell us what to think about. Saturation coverage says something is important. Neglect downplays a story's significance.

### 3. "News" and "Noise"

- News is a commodity – it is "made".
- We need to distinguish between "news" and "noise" (celebrity gossip, political hi-jinks, sport. etc).
- 24-hour broadcasting has now replaced the more static formalised programming (for example, the news at 6pm for the whole family). People now graze on the news rather than feast on it.

- Therefore, news programmes have to tweak each story periodically (such as at 30-minute intervals) to make it interesting.
- Patterns are harder to identify in events because information is now so fragmented.
- Moral panics focus excessive attention on particular issues whether or not they are warranted (such as youth crime in New Zealand) to help keep the consumers engaged.
- Therefore, big stories can be submerged under the "noise" – the events that affect our lives long-term are rarely in the headlines.

#### **4. The Media and Geo-Politics**

- Note the distinction between "Idealist" (hoping for the best) and "Realist" (sceptical of grand schemes for bettering humankind).
- Realist – the international system is a competitive area.
- Governments do not necessarily "do the right thing". They look out for number one via short-term thinking. We are now in a different era from when NZ supplied troops to defend the Empire and generously sent food parcels to post World War II UK.
- The competition is now played out via a number of channels – warfare (now declining), economic competition (very much increasing) and the struggle for ideas (increasing both in scope and technological outlets, such as social media).
- Media often find geo-politics too complicated to cover in much depth.
- The media may thrive on "bad" news but the underlying Idealist assumption is that things will turn out all right in the end. Realists would disagree.
- Media consumers prefer cooking and sport and other light entertainment – and not complicated stories of geo-politics.
- The basic dilemma: "Is this in the public interest?" OR "Is the public interested in this?"

#### **THE GOOD NEWS ON INTERNATIONAL CONFLICT**

##### **5. Sources of continued conflict**

- The fragmentation of existing countries and continued internal conflict – national borders are human-made and are often in flux. e.g. Ukraine.
- The rise of religious extremism (we have not seen the "end of religion" as was being predicted in the middle of the 20th century).

- The changes to the global power architecture – relative decline of the US and the rise (or return) of China and then, eventually, India. The decline of the "global hegemon" (US) may mean greater instability because of the jostling for influence.

Bottom line – we never reach a tranquil "plateau" in global politics, where we can take a breather. There is always change.

#### **6. But – there is progress in global peace**

- The world is becoming a safer place.
- Now we have far fewer international wars compared with the first half of the 20th century (1900–50).
- There has been a reduction in the number of people killed in warfare since 1950.
- The last 71 years have been the longest period for centuries with no war between great powers.
- "McDonald's Theory of World Peace" – no two countries that sell McDonalds have gone to war against each other. Countries can get more from trade than from invasion (economic globalisation)
- Democracies do not go to war against each other (democratic peace).
- There are more democracies in the world than ever before.
- There is a revolution of rising expectations – people "know their rights" and so they expect to get rich.

#### **7. There is always a risk of accidental war**

- The human element can never be discounted e.g. accidental flashpoints such as on the Korean border or Ukraine.

#### **8. The risk of terrorism in western countries**

- Yes, there is a risk of terrorism, but it should not be over-estimated (3,000 people died on September 11 2001 ("9/11") but 30,000 Americans die each year through domestic gun use, 5,000 die through food poisoning, and more Americans were murdered by their partners in 2001 than killed by terrorists on 9/11.
- Terrorists know how to exploit the media. As Mrs Thatcher said in 1983 – the media "provide the oxygen to terrorists"
- But, terrorism represents a major reputational risk for any government.

- People feel insecure. Tragically, Americans are troubled by terrorism and yet take daily gun deaths in their stride.

## EMERGING GEO-POLITICAL ISSUES

### 9. The Islamicist era

- The current terrorist concern is with Islamicists.
- The west is comfortable, complacent and secular. It has difficulty in understanding the motivations of people willing to die for their faith. Theoretically, that finished in Europe in 1648 with the Westphalian treaty.
- There is a tension between modern democracy and Islamicist theocracy.
- The challenge for some Muslims is to how reconcile with their faith with the modern era (separation of religion from government, education for girls, careers for women).
- Judging by Christian activities in Europe, this will take a while. This is a new 'hundred years' war' (probably beginning in 1979 with the Iranian Revolution and the Soviet invasion of Afghanistan). Beware of western politicians promising a quick end to the crisis.
- Meanwhile (as in Europe for example, 16th century England's Henry VIII), people will find ways of using "religion" for their own political purposes.

### 10. A new era in oil politics

- The old era: 1945 US-Saudi deal on oil – supply of US defence for the supply of oil (which was also part of the US's rise to global dominance).
- 1970s onwards – concern about "peak oil".
- Characteristics of the Arab/ Iranian oil exporters – pre-modern societies (tribes and not national identity), patronage (not modern democracy), authoritarianism, religious-based politics (both within countries and between them, such as Saudi and Iran).
- 1990s onwards – US fracking/ alternative fuel revolution.
- Now, the concern is with "peak demand".
- 2010: The so-called Arab Spring (now more like Arab Winter), continued turmoil in the Middle East.
- Arab petro-states are having difficulty reinventing themselves for a more service-based economy.

- Saudi is playing a high-risk game in helping to keep oil prices low. It wants to wreck the US oil industry, and punish Russia and Iran for their support of Syria's Assad.

### 11. The politics of anger

- Some people despair of politics and so take little interest in it. Others remain involved but want different politicians.
- The remarkable popularity of Donald Trump, Bernie Sanders, and Jeremy Corbyn (all with very different in political outlooks).
- Anger with the existing political establishments.
- Search for candidates outside the political centre
- Post-World War II Idealist sense of international co-operation is now under threat from a new isolationism, xenophobia, economic nationalism, search for scapegoats.
- The role of social media in fostering (for good or ill) new debates.

### 12. Putinism

- Putin first came to power in 2000, after almost a decade of post-Soviet chaos.
- Russians remember (perhaps not always accurately) the "good old days" when Russia was respected on the international scene and was seen as an equal to the US (in reality, it was not but it seemed that way).
- Putin has had 16 years in power – longer than some of the Tsars (and longer than all the communist ones except for Stalin).
- "Putinism" – nationalism, Orthodox Christianity as the "established" religion, social conservatism, state capitalism, strict censorship (all very different from modern western societies).
- His muscular approach to international politics (such as over Ukraine) means he enjoys good support at home (in so far as that can be measured).
- But, there is always the risk of political miscalculation.

### 13. China

- From 1750 onwards, the UK was the "factory of the world". Now, that title belongs to China.
- The UK solved its accumulation of foreign wealth problem by exporting its wealth overseas and so created the Empire (flag followed trade).

- Now, China is exporting its wealth and buying friends and influencing people.
- Much media attention is focused on the military adventures in the South China Sea – but the real story is China's global geo-political strategy.
- a "New Silk Road" is being constructed to connect China's land routes with Europe e.g. a land route across to Rotterdam, The Netherlands.
- China is seeking to deepen economic integration with 60 countries.

#### 14. Growth in information technology

- Gordon Moore of Intel – 19 April 1965 prediction: the power of computers will double every 18 months to two years. The price of computers will halve every 18 months to two years.
- Google driverless cars, Mercedes driverless trucks: For how long will we continue to allow humans to drive vehicles (road crashes kill 1.2million around the world each year). Will human drivers be gone in 15 years?
- Policy-makers are reluctant to take a long-term view of IT's impact.
- Yes, the Internet is revolutionary – but not utopian. It does disrupt our lives but not necessarily always for the better.
- Be aware that the Internet was not designed for all the functions we are now using it for (education, banking, commerce, entertainment, etc). It may be vulnerable to disruption (hacking).
- We have often been blind-sided by change. For example, newspapers carried stories of IT changes but newspaper boards themselves failed to ask. "What does all this mean for our newspaper business model?" *Software eats the world – keep asking "How will the implications of Moore's Law affect my company?"*
- For the first time in history, we are now losing jobs faster than we can create them (not all the jobs have gone to Asia – some have been taken over by robots). Robots work 24/7, they never take annual leave or sick leave, they have no ego and no personality squabbles.
- But, they don't "consume" many goods or services, either – where will the consumer demand come from?
- Will all this IT progress lead to more political extremism from angry people?

## 15. Conclusion

- The world has some promising developments and some troubling ones.
- There is a constant need to pay attention to the big picture of change.



*Keith is widely known as the International Affairs Expert on Channel Seven's Sunrise program. He's a global futurist and author, highly respected in the areas of social policy, foreign affairs and leadership.*

*Keith is a member of the [PortfolioConstruction Forum Symposium 2016](#) Faculty.*

---