



**TUESDAY
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CLOSING LUNCH SESSION

**ANDERS FOGH RASMUSSEN:
THE CHANGING GEOPOLITICAL SITUATION
AND THE IMPACT OF ENERGY**

**ANDERS FOGH
RASMUSSEN**

*Secretary General
of NATO (2009-2014)
and Prime Minister of
Denmark (2001-2009)*

“SHALE GAS IS NOT ONLY A TECHNOLOGICAL REVOLUTION, BUT A GEOPOLITICAL REVOLUTION”

Former Danish Prime Minister and NATO's 12th Secretary General, Anders Fogh Rasmussen began by acknowledging the important role the chemical industry plays in geopolitics.

The former NATO Secretary General continued saying that unfortunately we live in an era of accidents, great losses and tragedies. With wars in Syria, Iraq, and Ukraine, and terrorism spread by groups such – Islamic State, Al-Qaida, the Taliban, Boko Haram, Al Shabab and the Houthis in Yemen

We live in an era of turmoil, disorder, war, conflict and upheaval. **There is a red thread linking all this violence – the information revolution. News and ideas cross borders fast, and while this digital transformation holds tremendous economic value, it also contributes to volatility and enables extremists to spread their ideologies or to interpret news and ideas to their own advantage.**

Rasmussen noted that we live in an era where the new is clashing with the old, the free world with autocracies, democracies with dictatorships.

Rasmussen then offered four geopolitical stories to illustrate the state of international affairs. He categorised them as a bad story, a good story, a very bad story and finally a very good story.

First, the bad story. Back in 2005, Rasmussen recalled, Russian President Putin had used his state of the nation address to claim that the collapse of the Soviet Union was

the biggest geopolitical tragedy of the last century. Since then, Russia has been on a drive to steadily re-establish its sphere of influence as an alternative to the European Union and also to stop the integration of its former satellites into the EU and NATO. “Russia has a reason to foment trouble,” he said, “and Putin’s doctrine is that Russia has a right to influence [the actions and activities] of its neighbours.”

However, Russia has a problem – it is a nation in decline, according to Rasmussen. “Its population is decreasing, and forecast to fall from 145m to 121m between now and 2050, a fall of 15%. Its people have a low life expectancy, especially the male population, and the country’s birth rate is low. The economy is weak, depressed by the fall in oil prices and the failure to reform the economy. It remains a ‘one-crop’ economy, which is over-reliant on oil and gas revenues. The investment climate is poor, due to a lack of legal protections for investors.”

Despite wrestling with these issues history shows that declining nations can become ‘international spoilers’, Rasmussen said. Russia is fulfilling this role with its illegal absorption of Ukraine’s Crimea region and its ongoing actions to destabilise eastern Ukraine. Rather than pursuing these disruptive policies, Russia could benefit far more from closer relationships with the west, which would boost its economy and improve the lot of its citizens, who are currently accepting



NADINE DEREZA
AND ANDERS FOGH RASMUSSEN

their poor economic situation in the name of Putin's resurgent nationalism.

As a counterweight and a 'good story', Rasmussen turned to China. "I am not underestimating the problems related to China's expansionism and territorial disputes in the South China Sea with Japan, Vietnam, Philippines and others. Nor am I disregarding the significant rise in China's defence spending, which will equal 10% of GDP in 2015. But by 2040, China is expected to account for 40% of global GDP, compared to 21% for the USA, Europe and Japan combined. So we have a rising China, but also a peaceful China."

Why is this? "It's in China's self-interest to integrate with international markets, and its rulers need sustained economic growth for domestic stability." That's why China is energising its own economy and investing overseas, while welcoming direct foreign investment, which boosts development and brings in new technology, including the technology the

country needs to deal with its own problems such as environmental pollution. At the same time, China can contribute to global economic growth as it becomes a bigger player and integrates into the system of international trade and investment.

Rasmussen then offered a very bad story: the Middle East. "It's hopeless! And it's going from bad to worse, and then even worse." The whole region is beset by social, religious and political tensions. Two thirds of the region's people are under 30, but they face poor life opportunities that are unlikely to improve under bad, incompetent and corrupt regimes. A key driver is the religious rivalry and battle for regional influence between the Sunnis, led by Saudi Arabia, and the Shias, led by Iran. There are proxy wars being fought in Syria, Iraq and Yemen, with the region beset by an upsurge in terrorism, with Islamic State, al-Qaeda and Hamas linked to Sunni Islam, while Hezbollah and the Houthis are Shia groups.

"Now the Russians have intervened, which will make the situation even worse," the

former NATO Secretary General suggested. "As they will discover, they won't be able to support Assad and fight Islamic State. The brutality of the Assad regime is the source of Syria's troubles, and the country's problems will only get worse. The only light at the end of the tunnel is that the importance of the Middle East is likely to decline as the United States becomes energy self-sufficient."

Rasmussen's 'very good story' is focussed on the United States. "The good news is that the USA will remain the leader of the [free] world," he said. After all, it has no borders to protect or troublesome neighbours – "just Canada, Mexico and fish!" The USA still has huge, untapped resources, and its economy is "unique and very strong," with per capita income currently five times higher than China's. The world's top 25 brands are all American, 17 of the world's top 20 universities are in the USA, and the country still has a steady influx of some of the world's most talented people. **While immigrants may account for 40% of the USA's population by 2040, Rasmussen pointed out**



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that today immigrants are funding 25% of the country’s start-up businesses.

Although there is concern about the build-up in China’s military spending, Rasmussen believes the country’s leadership recognizes that it can pose no credible threat to the USA, which accounts for 40% of total global defence expenditure and has huge accumulated stocks of strategic weapons: “This adds up to a 10-1 military advantage over China.”

What about Europe? Rasmussen says its story is balanced between good and bad. “The good story is that it is the world’s largest economy with 500m people. The bad story is that it has a declining population: in 1900 Europe’s population was 25% of the world’s total, but by 2050 it will have fallen to just 6% with a third of people aged over 65 years.” Europe also suffers from poor competitiveness, a debt crisis in some countries, a dependence on imported energy, and security challenges in Eastern Europe. And now, the refugee and immigration crisis have complicated matters even further.

To mitigate, these challenges, Rasmussen urged the European Union to think about exploiting its own unconventional energy resources, such as shale gas, and to quickly conclude the Trans-Atlantic Trade and Investment Partnership (TTIP) currently being negotiated with the USA, to boost free trade and bolster economic growth between the partners. **“Yesterday, [12 Pacific Rim] nations¹ concluded the Trans-Pacific Partnership to lower tariff barriers and boost trade. If Europe doesn’t move quickly to approve TTIP, it may find itself left behind.”**

Turning to energy issues, Rasmussen said the current low oil price is bad for Russia, which is still using its oil and gas resources to keep Europe energy-dependent and also to maintain its influence over its bordering neighbours, such as Ukraine, Georgia, Moldova and the Baltic states. He also recognized that China’s continued dependence on imported energy poses potential risks, such as regional territorial disputes or conflict with Russia. However, his view is that China wants to

pursue opportunities for international cooperation rather than conflict and he sees the new “Silk Road” as part of the country’s efforts to engage positively. **Rasmussen also sees the USA’s energy technical revolution – shale gas and oil – as the trigger for a geopolitical revolution, and believes Europe should exploit its shale resources to reduce its own energy dependency.**

Despite the problems creating turmoil in some parts of the world, the former Danish Prime Minister remains optimistic, seeing the positives in the peaceful rise of China, and the global power of the USA in partnership with Europe and the Pacific Rim. However, he believes the USA and Europe should operate according to the maxim of the USA’s 26th president, Theodore Roosevelt: “Speak softly, and carry a big stick.”

¹ Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States & Vietnam.