



A MORE NORMAL COUNTRY

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SYNOPSIS

The US-led international system is at a cross-road. This is evinced by what is occurring in the three most important geo-strategic regions on the globe in the maintenance of that system, two of which increasingly overlap. They are the southwestern, central, and eastern quadrants of the greater Eurasian landmass. Parallel to, but intertwined with, these developments are the twin phenomenon of Mr. Donald J. Trump, Senator Bernie Sanders, the apparent depth and breadth of their support base, and its impact on domestic American politics. US allies and competitors alike are slowly waking up to the reality that America's role in the world may be on the brink of very significant change. And this is likely to be the case no matter who wins their party's nomination and goes on to become President this November, for reasons detailed below.

US DOLLAR PRIMACY

We often gloss over what is described as the 'US-led international system', but what actually do we mean? I'll forward three main components. The first and arguable most pivotal is the status of the US dollar as the world's reserve currency. US dollar hegemony is underwritten by, among other important factors, the 'petrodollar system'. This is the name given to a series of agreements reached between 1972 and 1974 by the Nixon administration and the Saudi monarchy. In exchange for a US

guarantee of security of both its oil fields and its regime, Saudi Arabia promised to price all of its oil exports in US dollars. In addition, the massive profits being accrued in US dollars after the 1973 oil shock would be recycled into the global financial system via the purchasing of US government debt in the form of Treasury bonds. This did two things. It perpetuated massive artificial demand for the US dollar, keeping its value artificially high as every nation needing to buy oil needed US dollars in reserve. It also allowed the US government to borrow extensively and to avoid raising taxes and cutting expenditure in politically unpopular ways. The Federal Reserve, for its part, is able to print US dollars to lend to the government without fearing the massive inflationary effects this would cause in countries whose currency is not in constant global demand. Win-win. Unless you're in the export business in the United States or, you have some reason ideological, political, economic, or otherwise to oppose this system. In 2000 Saddam Hussein's decision to begin pricing Iraqi oil in Euro's formed some part of the US rationale for war in 2003, though the extent to which it influenced the rationale is [debated](#). Nonetheless, dollar primacy is a structural feature of the US-led order that Washington has demonstrated the willingness to go to war to protect.

MILITARY PRIMACY

The second component is the primacy of US military power in both the conventional and nuclear domains. Obviously, the capacity to keep paying for this component is derived fundamentally from the first, hence the gravitas of US dollar primacy. But the ability to manage the system created the necessity for global power projection and hence the bedrock of military power. Challenged most seriously by the Soviet Union during the Cold War, US military primacy stood unopposed after its collapse, but the exigencies of maintaining the system began to spread horizontally, as the waning of both political and physical *access* became the [Pentagon's biggest concern](#). Some of those exigencies had inflamed non-state actors, whose incandescent appearance on centre-stage in 2001 has attracted the bulk of US military thinking and effort since then. Now, the growing assertiveness of traditional Eurasian great power rivals in Russia and China, and the shadow of the [nuclear domain](#), is reassigning priorities within the Pentagon while also highlighting some disparity of consensus with the White House and the State Department about the role and utility of force.

INSTITUTIONS

The third component of the US-led international order is the complex of formalised institutions in which US influence is also predominant. The United Nations, the IMF, and the World Bank, as well as the host of multilateral economic and political forums in tow, are all expressions of the liberal internationalist streak within the US foreign policy tradition. When the US has been strong and in the lead, such as from 1945 through to the late 1960s, the now evolved foundation stones of the Bretton

Woods systems provided it with the power of a standard-setter and a taste-maker in the international political economy, made real of course by the primacy of the US dollar as global reserve then pegged to gold. Now, with US primacy increasingly contested and its leadership widely interpreted as in retreat, these fora lack the bite of the first two components in the maintenance and perpetuation of the system. Economic power has diffused horizontally, and with it has political and institutional power.

PETRODOLLAR DECLINE?

The strain on the US-led international order has its epicentre in the troubled US-Saudi relationship. This bout of troubles erupted as a result of 9/11. Stratfor's [George Friedman](#) argues that the 2003 invasion of Iraq was at least partially motivated by an American imperative to both punish and pressure the Saudi regime on its financial support for terrorist organisations with ideological roots in the Wahhabist/Salafist traditions. The removal of the Iraqi buffer zone, via the installing of its Shia-led government, further exposed Saudi Arabia to the encroachment of Iranian regional influence and ramped up sectarian based violence. In theory, this would force the Saudi hand on financing terrorism while also, via its deepening insecurity, double-down its dependence on the US security guarantee at the heart of the petrodollar system. To date, theory has not matched reality. Saudi financing of various strains of jihadist violence has [reportedly continued](#), angering the Americans. At the same time, the Saudi regime may be increasingly interested in a better deal than the one it has with the US. The Saudi's have reportedly been perplexed by the Obama administration's reluctance to intervene in Syria, and scorned by the administration's [allusion](#) to the kingdom as an entangling free-rider.

RUSSIA'S ROLE

While Russia is no perfect match for the Saudis given its support for the Assad regime and by extension Iranian influence there, Putin's brand of regime support as demonstrated [recently in Syria](#) must look awfully attractive over the American brand. Putin entered Syria, turned the balance of military power in favour of the beleaguered government, and left. No grandiose talk of democracy, human rights, or nation-building attached. His intended audience was not only in Riyadh, but in other OPEC capitals as well. The message? How confident are you in the American capacity and will to keep defending you? If the security guarantee were to collapse, so would the petrodollar system. Moreover, the centrality of the US-Saudi pact may already be wavering in terms of underwriting the petrodollar. Massive Sino-Russian and Sino-Iranian oil and gas deals will not be priced in US dollars. The precipitous slide away from the US dollar in the energy domain is continuing, with [Russia in particular](#) aggressively pursuing its decline using the geopolitics of energy as its primary instrument.

The recent thawing in US-Iran relations appears to be an own-goal in this regard as well, with Iran announcing its desire to price oil in Euros as it is liberated from [sanctions](#).

THE WASHINGTON PLAYBOOK

There is [good evidence](#) to suggest the US dollar's role as global reserve could survive the decline of the petrodollar system. When Nixon de-coupled the Greenback from gold in 1971, its underlying strengths meant no collapse of dollar hegemony was imminent. Nonetheless, the administration saw sufficient imperative in the long-term vulnerability of the US to dollar-decline that the extraordinary deal with the Saudis was enacted. There was little appetite in Washington to allow the US to become a more normal country in 1971. The US was still embroiled in a costly war in Vietnam, and the Cold War enacted significant constraints on any parting from what is now popularly referred to, even by Obama himself, as the '[Washington Playbook](#).' But today things are very different. Like an emergent property, domestic American political opinion has arguably detected and is reacting to the shifting winds described above, perhaps not in altogether unexpected or unreasonable ways. Worldviews are complexes of institutional facts that can take a very long time to change, even when the underlying physical facts that underpin them have long been altered. The changing attitudes of many Americans are reflected in the already game-changing levels of support for both Trump and Sanders as Washington outsiders. The overall tone of the primaries, one of utter frustration if not outright contempt for the political status quo, reflects the same themes. The centre of legitimate political discourse has been inexorably altered in the United States, and this is the case before anyone has been elected as nominee let alone as Commander in Chief.

YEARNING TO BE NORMAL

This is clearly a source of not unwarranted consternation in capitals all over the globe. Hugh White, consistent with the tone of his previous work, has reminded Australia and its region that the US [role in Asia can no longer be taken for granted](#). White cites the recent *Atlantic* magazine's publication of its interpretation of the [Obama doctrine](#). The take-away is that under Obama, the US has shifted away from an inclination to protect the 'credibility' of its security guarantees. Credibility is one of Thomas Schelling's cornerstones of deterrence. Throughout history, powerful states have found it necessary to use demonstrations of force and even fight small wars for the fundamental purpose of convincing the mind of a third party adversary that the threat of force will be backed by action, and the mind of an ally that defection is a non-starter. In other words, do not attempt to call our bluff. Shows of force and small wars can easily turn into other things, however, and Obama has made it clear these are unwanted and redundant instruments of foreign policy on his watch.

These trends, if they are trends, are already having significant ramifications for America's frontline allies and partners. The frontier is an increasingly [unquiet place](#). The key parts of the Eurasian 'Rimlands' in the Persian Gulf, Central Asia, Eastern Europe, and East Asia are sites of significant political disquiet, as Russia, China, and Iran have sensed the moment and are now [probing](#) at the architecture of the US-led international system. Ukraine, the South China Sea, and Syria and Iraq are prime examples. At precisely this moment in history, when this probing causes frontline states and system stakeholders, like Australia, to look to the United States for reassurance, the very nature of and commitment to that reassurance is in doubt. And the political capital that is accruing to anyone flogging the status quo right now in Washington is simply too valuable to resist, so we can expect these trends to continue. For Trump and Sanders, it is the very substance of America's political interest in them. While Sanders is more of a traditional protest candidate, it is Trump who genuinely appears to be ready to take the whole establishment down with him if he is denied the Republican candidacy.

One of the fascinating things about Trump is that, in many ways, he appears fundamentally to view the United States as [just another normal country](#). He emphasises the importance of the deal. He boasts about how, through negotiation, he would get a better deal for the US in relations with both its enemies and its friends. Whether its NATO defence spending, the nuclear umbrella over Japan and South Korea, or the Mexican government and the problem of border insecurity, everything appears to be on the table and [up for re-negotiation](#). What underlies this approach, however, is the basic view that America, while very powerful, is a normal country like any other that must be skilled in the art of the deal to get what it wants. This view of America is deeply discordant with that of the exceptional, indispensable, ordained nation that emerged from WWII atop a global system begging it to lead. Moreover, it is an acute reaction to both the neo-conservatism and the liberal interventionism that many trace the current conflagration back to. One is struck by the possibility that the Trump phenomenon is a wider reflection of a country that is yearning to normal. To be left alone and to [leave others alone](#). Obama wanted to prioritize nation building at home, but he only got half way there before the world dragged him back. Trump would be different.

CONCLUSION

Whether it can walk back along the path it has come so far down is, of course, another story. What appears certain though is that the politics of America's commitment to leading the global system have fundamentally changed. It is a country at the cross-roads. A more normal America, with dollar, military, and institutional primacy all thoroughly contested, would mean a more normal world. Realists, of course, have long warned us that the most 'normal' type of international system is a multipolar one, where national interests in a globalised world play out and collide via monetary,

trade, and military competition. It bears remembering that this was precisely the type of system that, in the wake of two World Wars, people got together and decided, once and for all, to call time on. US diplomats have for years now been repeating the refrain that the US is offering and recommending Chinese stakeholdership in the system. To date, the Chinese have only deepened their hedge. Pragmatism would dictate as much. How confident ought we expect them to be in the resilience and sustainability of the US-led order? Its decline, though not inevitable, would impact them proportional to the very depth of stake they commit to it.