

Understanding the best and
looming geostrategic
countries of the world



Class 3, Dec 17, **British Offshoots –
Australia, Canada and New Zealand**

Joe Coffey

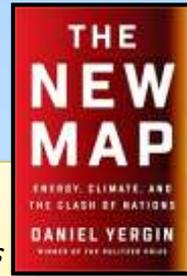
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Topics

1. New map of world
2. The case for being best
3. How they compare with US & others
4. History and reasons for success
5. Best Countries – Summary & Conclusions

- Welcome and thank you for taking this class.
- Today we wind up our series on understanding the best and looming geostrategic countries of the world.
- We focus on the British offshoots: Australia, Canada, and New Zealand.
- We will explain why these countries are among some of the best in the world.
- Why they are strategic importance
- How they compare with the US and other countries
- Their history and reasons for success
- And finally, we will provide a summary and conclusion about how does a country become successful

The New Geostrategic Map of the World



- *The world is being shaken by the collision of energy, climate change, and the clashing power of nations in a time of global crisis. ... The "shale revolution"...has transformed the American economy.... United States has become the world's number one energy powerhouse....*
- *World politics is being upended, as a new cold war develops between the United States and China, and the rivalry grows more dangerous with Russia, which is pivoting east toward Beijing. ...*
- *The map of the Middle East, which was laid down after World War I, is being challenged by jihadists, revolutionary Iran, ethnic and religious clashes, and restive populations. ...*
- *[W]orld's new map [is] . .. an era of rising political turbulence....*

Source: Daniel Yergin, *The New Map* dust jacket. Yergin is a highly respected authority on energy, international politics, and economics, and a Pulitzer Prize winner

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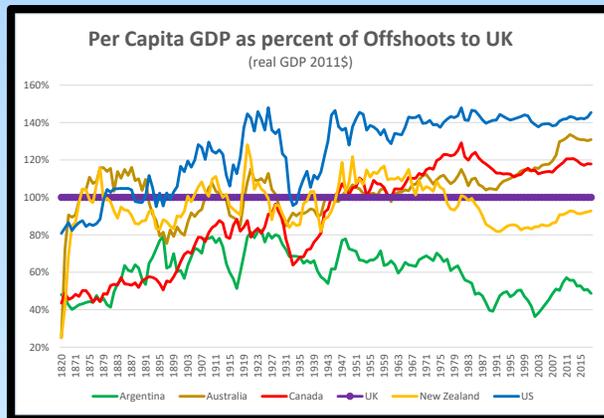
The New Geostrategic Map of the World

The world is being shaken by the collision of energy, climate change, and the clashing power of nations in a time of global crisis. The "shale revolution" in oil and gas--made possible by fracking technology ... has transformed the American economy, ending the "era of shortage", but introducing a turbulent new era. Almost overnight, the United States has become the world's number one energy powerhouse--and, during the coronavirus crisis, brokered a tense truce between Russia and Saudi Arabia. Yet concern about energy's role in climate change is challenging our economy and way of life, accelerating a second energy revolution in the search for a low carbon future. All of this has been made starker and more urgent by the coronavirus pandemic and the economic dark age that it has wrought.

World politics is being upended, as a new cold war develops between the United States and China, and the rivalry grows more dangerous with Russia, which is pivoting east toward Beijing. Vladimir Putin and China's Xi Jinping are converging both on energy and on challenging American leadership, as China projects its power and influence in all directions. The South China Sea, claimed by China and the world's most critical trade route, could become the arena where the United States and China directly collide. The map of the Middle East, which was laid down after World War I, is being challenged by jihadists, revolutionary Iran, ethnic and religious clashes, and restive populations. But the region has also been shocked by the two recent oil price collapses--one from the rise of shale, the other the coronavirus--and by the very question of oil's future in the rest of this century.

...Yergin ... illuminates the great energy and geopolitical questions in an era of rising political turbulence and points to the profound challenges that lie ahead.

Source: Daniel Yergin, *The New Map* dust jacket. Yergin is a highly respected authority on energy, international politics, and economics, and a Pulitzer Prize winner



- Nations' prosperity rise and fall, but best recover & rise
- By early 1900s, per capita GDP of US, Australia, and New Zealand exceeded UK's – then dominant world power
- Canada exceeded UK during WW II
- Argentina, later bloomer, began decline in 1920s
- New Zealand, at top in 1875, tailed off a century later

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Relative to UK per capita GDP, all offshoots was higher by 1940s

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Offshoots high GDP per capita rankings for 150 years

Year	# ranked	Argentina	Australia	Canada	UK	New Zealand	US
1820	55	12	44	14	1	44	3
1875	31	15	1	13	2	3	4
1890	44	11	1	12	2	4	3
1913	69	10	2	6	3	3	1
1990	169	55	14	4	17	22	1
2018	169	64	12	17	26	29	9

Maddison Project Database (MPD) 2020

- By 1890, Offshoots GDP per capita ranked #1, 2 & 4
- Their high rankings continued for a century until 1990 collapse of Soviet Union and spread of globalization
- In current times, Offshoots ranking has waned due to the rises in Scandinavia, some of the oil-rich Middle East countries, and Tigers
- Argentina, once a top 10 ranking country and main challenger to US, has fallen precipitously to 64th, thanks to financial and political turmoil

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Countries do not get rich by accident; they make choices

Ranking of Economies, 1913 & 2018

1913 rank	Country	1913 GDP/capita	GDP rank 2018	GDP (PPP)/capita 2018
1	Australia	8,380	17	52,373
2	US	8,101	10	62,606
3	New Zealand	7,123	31	40,135
4	Canada	7,026	21	49,651
5	Belgium	6,825	22	48,245
6	Argentina	6,505	64	20,537
7	UK	6,393	26	45,705

- 1900: U.S. & Argentina were rivals in economic prospects
 - Both young, dynamic with fertile farmlands and exports
 - Argentina #1 GDP/capita in 1913 WW I export boom
 - Millions of immigrants torn between: Pampas or Prairie?
- 2018 Argentina GDP/capita only 1/3 of US
 - U.S. - one of most successful economies in history
 - Argentina - inept, corrupt, defaulting - one of worst performing major economies

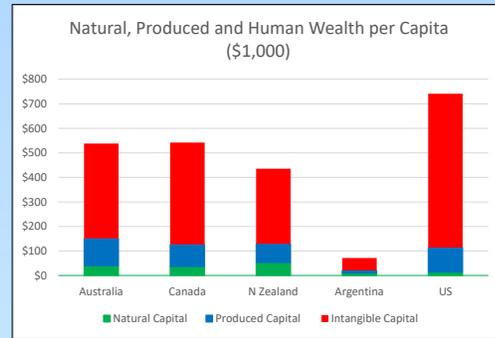
Source: Alan Beattie, *False economy, a surprising economic history of the world*, 2009, page 6

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- *Countries do not get rich by accident. They make choices It is not always clear which is the right path [C]ountries that succeed are ... are flexible enough to learn ... and that do not become captured by groups ... sharply at odds with those of the country as a whole.*
- *One short century ago, the United States and Argentina were rivals, starting off in similar places. Both were riding the first wave of globalization at the turn of the twentieth century. Both were young, dynamic nations with fertile farmlands and confident exporters. Before the Great Depression..., Argentina was among the 10 richest economies in the world. The millions of immigrant Italians and Irish fleeing poverty at home at the end of the nineteenth century were torn between two destinations: Buenos Aires or New York? The pampas or the prairie?*
- *A hundred years later, ... one had become one of the most successful economies in history. The other was a broken husk, ... where inept, corrupt governments had ... stolen ... from their own people ...and from foreign investors....*

Source: Alan Beattie, *False economy, a surprising economic history of the world*, 2009, page 6

Wealth of Nations –
Although blessed
with natural
resources – majority
of wealth is human



- Components of total wealth
 - **Natural capital:** Agricultural land, forests, minerals, and energy
 - **Produced capital:** machinery, structures, and equipment
 - **Intangible capital:** Implicitly includes measures of human, social, and institutional capital such as the rule of law and governance
- Natural capital is most important in early stages of development which is supported by produced capital, but in advanced stages its intangible capital

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World Ranking of Prosperity, Happiness and Human Development, 2019

Country/Region	Prosperity Index	Happiness	Human Development	Life expectancy	Years of school
Australia	17	11	9	83	12.7
Canada	14	9	7	82	13.3
New Zealand	7	8	4	82	12.7
Offshoot Avg	13	9	7	83	12.9
Argentina	59	47	48	77	10.6
US	18	19	25	79	13.4

- High ranking in major social indicators – better than US; Argentina much lower ranking
- Life expectancy higher than US
- Smaller New Zealand, the best ranking of Offshoots
- Best countries are not just high GDP/capita, but excel over health, education, happiness ...

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Offshoots ranking of prosperity, happiness, and human development

- These indices are very important measures of the over all success of a country
- They are based upon careful analysis over the past several years by different organizations.
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Score and Ranking of Democracy, Economic Freedom, and Corruption Perceptions Index

Country	Democracy Index 2019		Economic Freedom Index 2020		2018 Corruption Perceptions
	Score	Rank	Score	Rank	Rank
Australia	9.1	9	83	4	13
Canada	9.2	7	78	9	9
New Zealand	9.3	4	84	3	2
Offshoot Avg	9.2	7	82	5	8
Argentina	7.0	48	53	149	85
US	8.0	25	77	17	22

- Offshoots rank higher than US in democracy, economic freedom and (lack of) corruption
- Again, New Zealand, tops the Offshoots

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- The offshoots rank high in terms of democracy, economic freedom, and low corruption.
- All of them score better than the US on these important measures of success.
- Argentina, in stark contrast, ranks much lower. In all these categories- especially in its area of economic freedom.
- New Zealand has the best ranking of any of the offshoots

Size and Ranking of Area, Population, & GDP Per Capita

Country	Area		Population 2020			GDP/Capita PPP 2019	
	Sq. Miles (mil)	Rank	Population (mil)	Rank	Density per sq mi	\$	Rank
Australia	3.0	6	26	53	9	53,320	20
Canada	3.9	2	38	38	10	51,342	22
New Zealand	0.1	75	5	121	51	43,953	30
Offshoot Avg	2.3	28	23	71	10	49,538	24
Argentina	1.1	8	45	31	41	22,947	63
US	3.7	4	331	3	89	65,281	9

- Offshoots, except New Zealand, top global ranking in area, but only mid ranking in population, low ranking in density and in top 20s in GDP/Capita
- Argentina, which has much in common with Australia and Canada, has not kept pace with the best

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Australia & Canada are large countries, endowed with natural resources with low population densities

- Australia and Canada are some of the largest countries in the world, comparable to the US in area.
- But they are much less densely populated – with an average of 10 people per square mile compared to the US, 89 people
- Their populations are a fraction of the US, but their GDP per capita is in the top group, although somewhat below that of the US
- Argentina, which has much in common with Australia and Canada as a large country blessed with natural resources.
- However, Argentina has not kept pace with the offshoots nor with the US

Australia History



The second Britain turns to Asia

- 1770: Captain Cook claims for British
- 1788: British found penal settlement at Sydney
- 1850s: Gold rushes and population triples in decade
- 1875-90: #1 GDP/capita in world
- 1901: Country unified
- 1915: In WW I suffered heavy casualties at Gallipoli
- 1941: In WW II, Bombed by Japan, Gen. MacArthur's HQ
- 1973: Crash liberalization program
- 1986: Fully independent of British parliament and legal system
- 2008: Apologizes for wrongs against indigenous population
- 2012: Controversial carbon tax to counter climate change
- 2020 Jan: Heatwave and bushfires kill 25 people and millions of animals

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- 2006: Agrees with East Timor to split oil and gas revenue
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From <<https://www.bbc.com/news/world-asia>

Australia: A second Britain halfway around the world



Flag: British Union Jack framed by Southern Cross

- Historically, distant, loyal and appreciative British colony
- First settlers arrived in 1788
- Distant dumping ground for British convicts ended in 1868
- Frontier difficult - so Australians of convict ancestry regard as a badge of pride rather than of shame
- Initially just products from hunting whales & seals
- From 1830s, high value easy to export wool & gold
- After 1851 refrigerator ships, meat and butter
- No declaration of independence, didn't unite until 1901

Source: Jared Diamond, *Upheaval – Turning Points for Nations in Crisis*, 2019, Chapter 7, Australia

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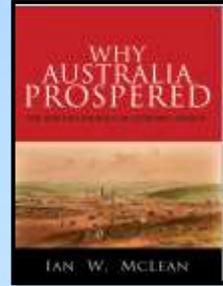
A second Britain halfway around the world

- Historically, distant, loyal and appreciative British colony
- No declaration or war of independence
- First settlers arrived in 1788 – distant dumping ground for burgeoning British convicts which ended in 1868
- Even in 1820s, 84% of British convicts & former convicts
- Frontier was difficult and so modern Australians of convict ancestry regarded as a badge of pride rather than of shame
- Initially just produced products from hunting whales & seals
- From 1830s onward wool from sheep, gold from a gold rush,
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Why Australia Prospered

- From Aboriginal economy achieved prosperity in 200 years due to:
 - British imperial policies
 - Favorable demographics (Notorious convict origins = large male workforce)
 - Natural resource abundance
 - Institutional adaptability & innovation
 - Good policy responses to war, depression & discoveries
 - Curse of distance overcome by high value wool, meat and gold exports



Ian W. McLean, *Why Australia Prospered: The Shifting Sources of Economic Growth* (The Princeton Economic History of the Western World) Kindle Edition

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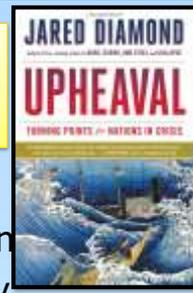
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Australia: British surrender of Singapore to Japan - turning point in self-image

- Although Singapore is 4,000 miles, Australia relied upon British base and fleet for protection
- 1942 surrender - worst defeat in British history
- In absence of British protection, Japan bombed Darwin in first of 60 air raids
- To Australians, fall of Singapore was frightening military setback and betrayal by its mother country
- Recognized Australia's defense depended upon US and Japan the real enemy
- After WW II – ties evolved from Britain to Asia



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Source: Jared Diamond, *Upheaval – Turning Points for Nations in Crisis*, 2019, Chapter 7, Australia

Australia: Post WW II economy dominated by mining

- Overwhelmingly British and white until after WW II
- In WW II recognized self-image of being a second Briton halfway around world was out of date
- Economy dominated by mining of minerals – world's leading exporter of many minerals
- Britain had been largest trade partner - 45% of imports and 30% of exports
- Britain's joining EEC meant barred automatic right of entry of all foreigners including Australians!

Australia's top Exports 2017-18

Commodity	% of exports
Iron ores	15.2
Coal	15.0
Education	8.0
Natural gas	7.7
Personal travel (excl edu.)	5.4
Gold	4.8
Aluminium ores	2.3
Beef	2.0
Petroleum	1.6
Copper ores	1.4

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Australia: Crash program of 1972



In 1973, Sydney Opera House opened - symbol of Australia

- End of national draft, withdrawal of troops from Vietnam
- Recognition of People's Republic of China
- Repudiated white Australian policy
- Lowered voting age to 18, increased minimum wage, gave representation to Northern and Capital Territories
- Required environmental impact statements
- Increased spending on Aborigines & equal pay for women
- Comprehensive medical insurance
- Abolished university fees, boosted aid for schools

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Crash program of 1972

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 - Increased spending on Aborigines and equal pay for women
 - Comprehensive medical insurance scheme
 - Abolished university fees, boosted financial aid for schools and responsibility for funding colleges
- In 1973, Sydney Opera House opened - symbol of Australia

Australia: Ties with Britain waned while ties with Asia gained

- By 1991, Asians 50% of immigrants
- By 2010, 25% of born overseas – 2nd highest to Israel
- Asian students 70% in Sydney's top schools
- In 1999 , High Court declared Britain "foreign country"
- Reluctantly recognized that:
 - Britain, once closest trade partner, now just a minor one
 - Japan, former worst enemy, now most important trade partner
 - No longer viable to be white British outpost on periphery of Asia
- Change due to declining power of Britain, rising powers of China and Japan and population increasingly Asian

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New Zealand History



Small, remote but pioneering

- 1769: British captain Cook explores coastline
- 1840: British law established
- 1845-72: Wars of Maori resistance to British rule
- 1893: First country to give women the vote.
- 1898: Government introduces old-age pensions.
- 1907: Becomes dominion within British Empire.
- 1915: In WWI, troops suffer heavy casualties in Gallipoli
- 1947: Gains independence from Britain
- 1984: New Labour gov't begins free-market reforms
- 2011 February - Scores killed in Christchurch earthquake

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New Zealand: Remote, late settled island of 5 million

- 1,200 mi east of Australia
- Two major islands – North & South
- Owing to remoteness, late human settlement by Polynesians c.1280
- In 1840, Māori (still 15%) agreed to British sovereignty
- Culture derived from Māori and early British settlers
- Wool, and after refrigeration in 1882, meat and dairy exports to Britain major driver
- Ranked in top 10 GDP/capita for 1860s-1960s
- Close ties with Australia, foreign policies aligned

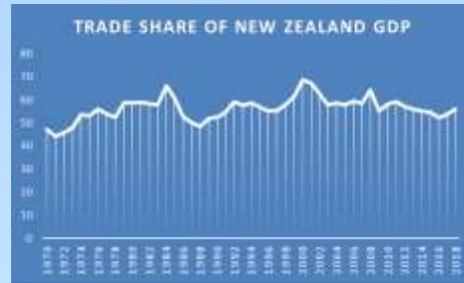


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New Zealand: Transformed from protectionist to free- trade economy



- 1973 severe depression due to export decline after UK joined EEC, plus 1973 and 1979 energy crises
- In 1980s transformed from protected and highly regulated to a liberalized free-trade economy
- Main trading partners now China, Australia, EU, US and Japan
- Despite remoteness, ranks as one of world's freest, most progressive, low corruption and globalized

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Source: New Zealand, From *Wikipedia*

Canada History



Natural resource superpower with Northern Identity but Southern Reality

- 1583: Newfoundland becomes England's first overseas colony
- 1756: Seven Years' War between New France and British colonies
- 1763: Britain acquires French colonies including New France (Quebec)
- 1812-14: War of 1812, US vs. Britain, White House burned
- 1867: Independence from UK
- 1898: Gold rush along the upper Yukon River
- 1949: Canada becomes a founder member of NATO
- 1967: Expo 67, Centennial in Montreal promotes national identity
- 1982: UK transfers powers over and Canada adopts new constitution
- 1992 - New trade deal of Canada, US and Mexico (NAFTA)
- 1995 - Quebec rejects independence by only 1%
- 2016 Free trade agreement with EU
- 2018 US, Canada and Mexico create "New NAFTA"

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1982: UK transfers final legal powers over; Canada & adopts new constitution

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2018 US, Canada and Mexico create "New NAFTA"

Canada – Natural resource superpower up North

- Identify as Northerners despite 80% live in south
- 2nd largest to Russia
- 3rd highest value of natural resources
- 3rd largest petroleum reserves
- 4th largest exporter of petroleum and natural gas
- World leader in production: gold, nickel, uranium, diamonds, lead, and crude petroleum
- World's northernmost settlement - Ellesmere Island
- 50% covered by ice and permafrost

Canada's top Exports %, 2019

1. Mineral fuels including oil	22.0%
2. Vehicles	13.8%
3. Machinery including computers	7.8%
4. Gems, precious metals	4.8%
5. Electrical machinery, equipment	3.0%
6. Plastics, plastic articles	2.8%
7. Wood	2.6%
8. Aircraft, spacecraft	2.5%
9. Ores, slag, ash	2.0%
10. Pharmaceuticals	1.9%

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- 4th largest exporter of petroleum and natural gas
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Canada: Economy linked to US



- 10th largest economy & trading nation
- 2/3rds imports from US
- Transformed from rural economy to 82% urbanized industrial
- Still large primary sector of agriculture, forestry, petrol
- NAFTA (now USMCA or "New NAFTA" free-trade zone)

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Canada: Economy linked to US but policy distinct

Living next to you is in some ways like sleeping with an elephant. No matter how friendly and even-tempered is the beast, if I can call it that, one is affected by every twitch and grunt.

Pierre Trudeau

- Tradition of liberal, egalitarian, moderate centrist political ideology, emphasis on social justice
- Multilingual
- Middle power - multilateralism & peacekeeping
- Very high immigration rate
- World's longest undefended border with US
- But independent foreign policy
- Publicly-funded health care, higher taxation to redistribute wealth, strong antipoverty, strict gun control
- Ranks #1 college-educated adults

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Canada: Economy linked to US but policy distinct

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- Multilingual
- Actually, 3 nations (First Nation, Canada & Quebec)
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Best Countries: Summary and Conclusions



- No magic bullet – didn't get rich by chance but by choices
- Scandinavia, Tigers and Offshoots differ in size, geography, resources, ethnicity, religion, culture ...
- But have commonalities: market economies, democracy, stability, globalized, well-educated, innovative ...
- Sources of economic growth evolve – from natural to man-made and to intangible and human resources
- Strategic importance of these best countries will increase in *"new map of energy, climate & clash of nations"*

Thanks for taking the class; hope to see you in Great Decisions!

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Best Countries: Summary and Conclusions

No magic bullet – didn't get rich by chance but by choices

Scandinavia, Tigers and Offshoots differ in size, geography, resources, ethnicity, religion, culture ...

But have commonalities: market economies, democracy, globalized, well-educated and innovative ...

Sources of economic growth shift – from natural to man-made and to intangible and human resources

Strategic importance of these best countries will increase in "new map of energy, climate & clash of nations"

Thanks for taking the class; hope to see you in Great Decisions!

Great Decisions 2021

by Joe Coffey

Topics & Schedule – Weds 10:30 am-12 noon

1. Jan 20: The Role of International Organizations in a Global Pandemic
2. Jan 27: Global Supply Chains and National Security
3. Feb 3: China and Africa
4. Feb 10: Korean Peninsula
5. Feb 17: Persian Gulf Security
6. Feb 24: Brexit and the European Union
7. Mar 3: The Fight Over the Melting Arctic
8. Mar 10: The End of Globalization?

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Great Decisions is a nonpartisan education program on the following 8 major foreign policy challenges currently facing Americans: 1) The Role of International Organizations in a Global Pandemic, 2) Global Supply Chains and National Security, 3) China and Africa, 4) Korean Peninsula, 5) Persian Gulf Security, 6) Brexit and the European Union, 7) The Fight Over the Melting Arctic, 8) The End of Globalization? Each Zoom class will overview the topic and have class discussion. A ½ hour video on each topic can be viewed individually prior to class. Participants are encouraged to purchase the Great Decisions 2021 book (about \$35) at the Foreign Policy Association (www.fpa.org) or Amazon.com. Lecture notes will be emailed in advance and posted on coffeynotes.com.