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(MUTUAL SECURITY + MUTUAL AFFLUENCE) – NEGATIVE FACTORS =
SUSTAINED STABILITY: A FRAMEWORK FOR ESTABLISHING
STABILITY BETWEEN LIKE STATES

By

James “Mack” Brunson
Commander, USN

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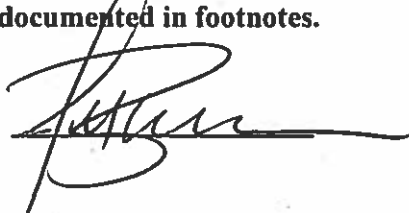
Framework for Establishing Stability Between Like States.

by James “Mack” Brunson

Commander, United States Navy

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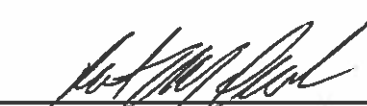


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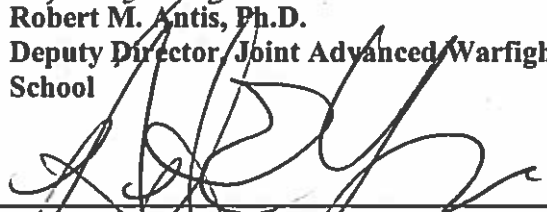
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Abstract

The international environment of the new millennium marks a significant departure from the international system of the post-World War II (WWII) period. With the fall of the Soviet Union, the United States became the most powerful and influential state in the international system. As China's political, military, and economic influences in the international system continue to grow, the likelihood of a return to multi-polarity, with a security and affluence peer to the United States, is not an unreasonable prediction. Current popular opinion suggests that the United States and China are adamantly opposing forces in the international system. Therefore, creating a framework to base an understanding of the current relationship between two like states is valuable for informing subsequent actions, whereby the instruments of national power are employed to balance the elements of mutual security and mutual affluence, and limit negative influences from external factors, to achieve sustained stability.

This study uses two historical examples, Japan and the European Union following WWII, to demonstrate how the United States successfully paired security and affluence elements of the DIME-FIL model, which reduced the negative influences of external factors and created sustained stability. The case studies offer key insights and perspectives for considering how like states can achieve stability. Those insights and perspectives are then used to analyze the relationship between the United States and China, and propose options designed to reduce the likelihood of the two states approaching the threshold of war.

Counter to predominant thought, the research suggests that security and affluence parity is not a requirement for stability. Further, in the absence of mutual security, an overcompensating degree of mutual affluence between states can empower stability. The importance of external factors in building this relationship cannot be underemphasized. The

research suggests external factors can create a destabilizing force that must be countered through deliberate employment of the instruments of national power. Creating stability between the United States and China will involve a give-and-take mentality, whereby affluence takes precedence over security, and cooperation takes precedence over national objectives.

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Introduction

A level of competition between states always exists in the world. As that competition develops conflict may arise. What continues to be in question relates to how society defines the threshold between acceptable “peaceful conflict” and the next phase, which is “war.” The bipolar international order of the post-WWII era established clear fault lines between the two hegemonic powers, the Soviet Union and United States, yet stability existed as the two powers balanced against each other in terms of security and affluence. Individual states throughout the world understood their roles in the balance, and though non-violent and violent proxy conflicts occurred, on the whole, the combination of military deterrence and a growing global economy created stability.

This study takes the perspective that the international system in the new millennium is unipolar, with the United States being the global hegemonic power and other states, such as China, are beginning to demonstrate their viability as major powers by developing their own regional hegemonic influences.¹ A deeper view of the current international system provides a much more complex perspective, where the system is comprised of layers that have differing polarities based on their sub-components. Joseph Nye proffers a view of the international system as a three-dimensional chess board with the top level being unipolar, dealing with security forces, the middle layer being multi-polar, dealing with global economies, and the bottom level being “chaotically distributed,” dealing with transnational relations.² The specific polarity of the international system is not important, but the relative degree to which a state influences the global environment over another like-state is an inherent characteristic in the assessment of

¹ William Z.Y. Wang, Stephen G. Brooks, and William C. Wohlforth, “Correspondence: Debating China’s Rise and the Future of U.S. Power,” *International Security*, 2016, 188-191;

William C. Wohlforth, “The Stability of a Unipolar World,” *International Security*, 1999, 5-41.

² Joseph Nye, “Get Smart: Combining Hard and Soft Power,” *Foreign Affairs*, 2009, 162.

security and affluence elements. Based on these assessments, the degree to which these elements overcompensate for any negative external factors, and balance is what determines stability between these two states.

Due to the natural competitiveness, particularly within the first island chain in the Pacific, the United States and China exist in a highly competitive and mutually beneficial relationship.³ As the largest remaining communist state, China continues to implement large-scale government control over its population and industry. However, it also fully embraced the concept and benefits of globalization. China uses its growing economic influence to support the other elements of its national power, cultivating partnerships for its industry and military. Through all its advancements and growing hegemonic influence in the region, China continues to support diplomatic efforts and communication with the United States, which minimizes the potential for conflict between the two states.⁴ The significance of this open line of communication demonstrates its willingness to develop ties that create a mutually beneficial relationship on a regional, and perhaps global, scale.

The modern international system is unbalanced, unstable, and closer to approaching the point where peaceful conflict turns to war. In this study, competition may lead to conflict, violent or non-violent, and unchecked may lead to war. By extension, war is conflict where the degree of violence expands to where it directly, and negatively, impacts the whole of the two societies involved. The manner in which world leaders manage the instruments of national

³ The "First Island Chain" of the Pacific refers to the string of major East Asian archipelagos stretching from the Kamchatka Peninsula to the Malay Peninsula; specifically composed of the Kuril Islands, Japanese Archipelago, Ryukyu Islands, Taiwan, the northern Philippines, and Borneo.

⁴ U.S. Department of State, "U.S. Support for the New Silk Road," <https://www.state.gov/p/sca/ci/af/newsilkroad/> (accessed January 4, 2017);

Janis M. Frayer and David Lorn, "US Troops, Chinese Rivals Find Common Ground at Drill," *MSN.com*, November 19, 2016; Simon Denyer, "Despite Fiery Campaign Rhetoric, Trump Reports Cordial Call with China's Xi," *Washington Post*, November 14, 2016;

Andrew Follett, "China and the US: Destined to Cooperate," *The Diplomat*, June 2014.

power to establish, to maintain, and to balance between elements of security and affluence, while mitigating negative external factors, provides the greatest positive effect for the least risk, thereby encouraging stability. The research conducted for this paper explores the instruments of national power that affect mutual security and mutual affluence, as well as the external factors that mitigate or disrupt that balance.

This study argues that the post-WWII international system and the resulting “Cold War” was the closest illustration of that threshold when considering the case of the United States and the Soviet Union. Specifically, this study defines key terms, context, and a common understanding of the framework; following that it examines two historical cases where the instruments of national power positively affected or influenced the international relationship between two similar states.

Secondly, the framework is further tested by applying it to a contemporary case. Compared to the United States, China provides the most dramatic differentiation in levels of geopolitical and geoeconomic integration, the analysis of which serves to illustrate the usefulness of the framework. Based on the findings, this study proposes recommendations to enhance the balance between security and affluence between the United States and China.

Chapter 1: Methods Underlying the Framework

Definitions

Conflict and Threshold of War

This study assumes that each state employs the whole of its instruments of national power with the primary intent to fulfill its national interests, but desires to accomplish this in a manner that does not intentionally disrupt peaceful relationships with other states. In his seminal work *A Study of War*, Quincy Wright believes the definition of peace, or stability, cannot be understood until one establishes the definition of "war," and defines its causes.¹ Wright's view of war is a lawful state of conflict involving all instruments of national power between two states:

... war is seen to be a state of law and a form of conflict involving a high degree of legal equality, of hostility, and of violence in the relations of organized human groups, or more simply, the legal condition which equally permits two or more hostile groups to carry on a conflict by armed force.²

Wright further defines a threshold of violence where conflict becomes war:

We may thus conceive of the relations of every pair of states as continually varying and occasionally passing below a certain threshold, in which case they may be described by the term 'war,' whether or not other states recognize the situation as juridically a 'state of war' and whether or not the precise form of conflict which sociologists designate 'war' has developed. Subjectively there might be war, although objectively there might not be.³

This study supports Wright's objective formation of war, wherein conflict is a disagreement between two states over an ideological, economic, or territorial objective that may involve one or more instruments of national power in a violent or non-violent exchange; but does not reach a level that negatively affects the whole of one or more

¹ Quincy Wright, *A Study of War*, Edited by Louise Leonard Wright, Chicago: The University of Chicago Press, 1964, 108.

² Ibid, 5-7.

³ Ibid.

states' general populations – see figure 1. Note that conflict and war are not the only two forms of interaction between states on this scale. Competition is the ideal steady-state for the international system; it is that form of interaction that always exists, and acts as the natural state of “peace” between states. In competition, there is no violence and states continuously interact with each other in this manner to provide for the security and affluence of their citizens. In this regard, situations such as economic sanctions and diplomatic summits would fall into the category of competition, whereas border skirmishes, guerrilla warfare, and civil uprising can be considered conflicts that do not reach the threshold for war.



Figure 1: Threshold of War

Instruments of national power

When reviewing all of the tools a state has to achieve its strategic and operational goals, the term “instruments of national power” are often used without being specific. The current doctrinal definition involves “DIME,” meaning the diplomatic, information, military, and economic instruments of national power.⁴ More contemporary schools, which this study supports, include additional instruments of national power: finance, intelligence, and law enforcement (DIME-FIL).⁵ Hans Morgenthau, one of the pre-eminent realists in the field of International Relations, describes a state’s instruments of national power as absolute when attempting to sway another state’s actions.

⁴ “Doctrine for the Armed Forces of the United States,” Joint Publication 1, United States Joint Staff, March 2013, 1-2, 1-3.

⁵ Harry Yarger, *Strategy and the National Security Professional: Strategic Thinking and Strategy Formulation in the 21st Century*, Westport: Greenwood Publishing Group, 2008, 71.

Morgenthau's premise that the realist view of politics focuses on a state's interest defined in terms of power, and that power is encapsulated in every social relationship from physical violence to the subtle psychological ties between people.⁶ This strict realist perspective is the foundation for the relationships expressed in the framework. It asserts that states are, and remain, the pivotal actors in the international system, and continue to use the instruments of national power to gain influence and wealth, an idea Morgenthau broadly describes as "power."

When assessing the influence of all the instruments of national power, this study asserts that a strictly realist perspective ignores other elements that are equally powerful in the conduct of foreign relations. Joseph Nye details the concept of smart power in several works. Smart power incorporates the traditional elements of hard power, which the realists believe are absolute, with elements of soft power, which includes a state's culture, values, and policies.⁷ Stated another way, hard power elements seek to coerce or incorporate an exchange of payments, whereas soft power elements are characterized by the ability to "attract preferred outcomes."⁸ Smart power is the ability to both coerce and attract in a manner that best satisfies the state's goals and national interests. This study asserts that a state's ability to adjust the hard and soft elements of its national power can achieve a balance between affluence and security when applied to that state's relationship with another like state.

⁶ Hans J. Morgenthau, "A Realist Theory of International Politics," *In Politics Among Nations: The Struggle for Power and Peace*, New York: Alfred Kopt, 1948, 3-18.

⁷ Nye, "Get Smart," 161.

⁸ Ibid, 160.

Balance

Balance between comparative levels of security and affluence is a critical element of this framework. Wright first wrote that the establishment and maintenance of peace is a careful balance between four general relationships: Economic, Political, Military, and Cultural.⁹ Robert Jervis proposes that a balance of national power between states can be achieved, which he narrowly defines as a “security regime,” which are “those principles, rules, norms that permit nations to be restrained in their behavior in the belief that others will reciprocate. This concept implies not only norms and expectations that facilitate cooperation, but a form of cooperation that is more than the following of short-run self-interest.”¹⁰

Also contributing to the idea of balance within the framework, the Balance of Power Theory is a realist view that describes two or more states vying to maximize their power in a zero-sum environment, which fails given the similar efforts of the other actors.¹¹ A less strict articulation of the same theory says that states forego taking advantage of other states due to fears of the international system perceiving them as “a menace,” thereby motivating them to “coalesce against it.”¹² Keeping in mind the goal of sustained stability between two similar states, the conditions that support both Wright’s and Jervis’ concept, despite not being all encompassing, reinforce the nature of balance within this framework.

⁹ Wright, 89.

¹⁰ Robert Jervis, “Security Regimes,” *International Organization*, 1982, 269.

¹¹ Ibid.

¹² Ibid, 370.

Globalization

This framework acknowledges elements outside the direct control of the state that could negatively affect the balance between mutual security and affluence. The post-WWII international system came about through great efforts to establish a new world order based on states assisting each other to the benefit of the international system writ large. The Bretton Woods agreements of 1945 are an example of international integration, and established many of the international organizations that support economic and political globalization in the current international system. There is no single authoritative definition for the concept of “globalization.” It is most commonly used to refer to an economic sense of free-flow of industry, investment, and resources across international borders, but that is a very narrow perspective that ignores the many other factors routinely attributed to this mechanism.¹³ This study takes a broader perspective, defining globalization as an integration of world views, products, ideas, economies, and other aspects of culture.

Interdependency

The theory of interdependence, proffered by Robert Keohane and Joseph Nye’s work, informs but does not replace or contend with the concept of affluence with respect to this framework. Their concept of complex interdependency suggests that when two states tie their economic systems in such a way where one state cannot affect another

¹³ James H. Mittelman, *Hyperconflict: Globalization and Insecurity*, Stanford: Stanford University Press, 2010, xvii – xxii.

Oxford English Dictionary. n.d. <https://en.oxforddictionaries.com/definition/globalization> (accessed November 29, 2016);

Encyclopedia Britannica. n.d. <https://www.britannica.com/search?query=globalization> (accessed November 29, 2016);

Cambridge Dictionary. n.d. <http://dictionary.cambridge.org/us/dictionary/english/globalization> (accessed November 29, 2016).

state without detrimentally influencing its own economic health, this relationship creates cooperation, and thus reduces the role or impact of the military instrument of national power.¹⁴ The concept of affluence is differentiated in that, in addition to state-level economic systems, there is a level of analysis required at the consumer level that takes into account an individual's ability to sustain or grow their wealth. Some of the more significant indicators of this is the health of the state's middle class, Gross Domestic Product measured on a per capita basis, and the Unemployment Rate.

Scope and Limitations

The degree to which there is sustained stability between two like states relies on the relationships between affluence and security, which are terms that are commonly used and commonly misinterpreted in discussions regarding the international system. This study contends that states continue to be the major actors within the international system, but international organizations are not ignored for their significant influence on security and affluence. However, the framework proposed is not designed to compare a state to a non-state actor, such as a trans-national violent extremist organization.

This study compares the United States to the European Union, treating the later as an actor within the international system on the same level as a major power. Three observations support this assertion. First, the EU has a seat in the United Nations. Second the EU functions as a singular negotiating partner on economic and world trade issues, the decisions from which are upheld by each member state. Third, the EU supports a common security and defense policy for all member states, and therefore is a substantial security provider in the region.

¹⁴ Robert Keohane and Joseph S. Nye, "Power and Interdependence Revisited," *International Organization*, Vol 41, No. 4, 1987, 733.

This study recognizes that Japan's initial governance and subsequent self-defense agreement with the United States was dictated to them, as the defeated state following WWII. Through deliberate choices after 1952, when the allies relinquished Japan to its own governance, the Japanese leadership chose to continue governing by those principles. Their choices in the decades to follow, mimic the relationship Europe and the United States have with respect to NATO, and it also equates to a historical reset that further supports the tenants of the framework.

Chapter 2: The Framework

(Mutual Security + Mutual Affluence) – External Factors = Sustained Stability

The combined and balanced application of the instruments of national power supporting mutual security and mutual affluence, between like states, overcomes the negative influence of external forces and creates the conditions that support sustained stability between those states. Each component of this framework is further broken down by the instruments of national power that contribute to the total effort. The concepts of mutual security and mutual affluence are less about the specific tools, and more about the ways and context in which the instruments of national power are employed.¹

Mutual Security

Mutual security encompasses elements that are different than those that support the concepts of mutually assured destruction, security regime, or security community.² For the purposes of this study, mutual security is a concept characterized by the offensive and defensive might of a state that includes, but is not limited to: military capabilities, strength of the national defense industrial base, the ability to manage strategic communications, diplomatic and political

¹ Nye, "Get Smart" 160-163.

² The Concept of Mutually Assured Destruction (MAD) dates back to the post-WWII era and the Cold War where the United States and Soviet Union's nuclear capabilities were such that first and second strike efforts would assure the complete destruction of both nations, along with the rest of the world.

A Security Regime is a set of principles, rules, and norms that permit nations to be restrained in their behavior in the belief that others will reciprocate, beyond the scope of short-run self-interest.

A Security Community is defined as a "group of people which has become integrated" in that, within a specified territory, the group attained a "sense of community" and of institutions and practices strong enough and widespread enough to assure, for a 'long' time, dependable expectations of 'peaceful change' among its population," whereby peaceful change is the "resolution of social problems, normally by institutional procedures, without resort to large-scale physical force."

Offensive Realism is a philosophy whereby states compete to gain power, in an environment of limitless power sources, in order to secure its territory and population against attack. Power in this philosophy is purely military/security in nature. The goal of such states is to be a regional hegemon, and there cannot be a global hegemon except "for a state that has acquired 'clear-cut nuclear superiority,' defined as 'a capability to devastate its rivals without fear of retaliation.'"

Glenn H. Snyder, "Mearsheimer's World – Offensive Realism and the Struggle for Security," *International Security*, 2002, 151-152;

Karl W. Deutsch, Sidney A. Burrell, Robert A. Kann, Maurice Lee, Martin Lichterman, Raymond E. Lindgren, Francis L. Loewenheim, and Richard W. VanWagenen, *Political Community and the North Atlantic Area: International Organization in the Light of Historical Experience*, Princeton: Princeton University Press, 1957, 5. Jervis, 357.

influence within the region in question, information dominance, intelligence assets that provide information from the perspective of the other state, and the strength of formal international alliances.

The Cold War demonstrated that mutual security can run from one extreme to another. At one end of the spectrum is mutual respect between two major powers, historically characterized by the concept of *détente*. At the other end of the spectrum is an arms race based on mutual distrust.³ Balancing the security element means that each state's strength is robust enough that war would result in an untenable existence for both states, and both states generate a desire for peaceful interactions, thereby creating the possibility for long-term stability.

Diplomacy.

The analysis of how diplomatic efforts directly support the national security goals of the state is a critical element of defining mutual security. These include, but are not limited to: physical presence in the nation/region, formal security agreements with states in the same region, and participation in international organizations designed to support international rule of law.

Military.

The sheer size and composition of conventional and nuclear forces establishes one level of parity; however, a state's ability to project that power is equally important. Other critical elements of consideration include state-directed policies or methodologies employing military force that are unique and effective.

³ *Détente* is a term used in reference to the general easing of the geo-political tensions between the Soviet Union and the United States. It was incorporated into US foreign policy under Presidents Richard Nixon and Gerald Ford. In Russian, it is known as *razryadka*, loosely meaning "relaxation of tension."

Information.

This speaks to the technological capabilities and infrastructure of projecting a state's strategic messaging internally and externally. With the speed and proliferation of global communications systems, the 24-hour news cycle, and the multitude of venues for accessing information, parity – and dominance – within this sphere of influence benefits the state that puts forth a consistent message first. The derivative of establishing a global communications network is the requirement for that state to defend and/or project power in cyberspace.

Intelligence.

This element informs the efforts under all other elements. A state's ability to use technology and human capital to gather, process, analyze and disseminate critical information throughout the enterprise supports all other efforts. Complementary to that process is the state's ability to defend against information leaks and competing states' efforts to gain intelligence on their activities. Much of this is difficult to calculate due to the security classification levels of the data, but having the infrastructure, government agencies, and interconnected systems speak to a state's level of capability.

Law Enforcement

This element includes but is not limited to the use of security forces to enforce national and regional laws within the borders of the state, and the ability of the state to employ "lawfare" tactics in the achievement of its national objectives. Lawfare is a term derived from the 1970s, but developed into a more robust concept in the 1990s. Current definition, supported by this study, is that it is a tool or weapon that can be employed to support traditional military means to achieve operational objectives.⁴

⁴ Charles J. Dunlap, Jr., "Lawfare: A Perspective," *The Yale Journal of International Affairs*, 2008, 146.

It also speaks to the state's humane treatment of its population based on international rule of law and norms. Moreover, it addresses how a state participates, by using its influence and financial or other means, in the enforcement and expansion of the rule of law and international norms. This effort can be directed internally, within the state's national territory, or externally as a part of a larger effort in another region.

Mutual Affluence

Mutual Affluence is an assessment of the health and potential of a state's economic system with an analysis of the health and wealth of a state's population, particularly the middle class. It is more than just an assessment of complex interdependency between macro-level economies, and includes how those policies are affecting the population of both states. Balancing this element means that the wealth and ability to provide for the safety and security of each population is undeniably impacted by the economic policies of each country. Critical to this particular element is the ability to capitalize on the comparative advantages of each state to the benefit of both states.

Diplomacy.

In the current environment, market expansion cannot successfully occur for any industry without the mutual agreement between two or more states to reduce and/or eliminate barriers to trade in those markets. The diplomatic effort to foster trade agreements is a critical path to help define the level of mutual affluence between two states. Furthermore, the active discussion along those lines speaks to the importance of coordinated efforts to increase economic benefit between two states. Trade agreements that span more than two states is beyond the scope of this study, however, the positivity gained from the process and outcomes of multinational agreements cannot be ignored.

Economy.

This study uses a number of economic comparison points, measured across time as well as irrespective of time, to frame a comparison of economic power and measure the health/wealth of the populations between states. Gross Domestic Product (GDP) captured at U.S. dollars (USD) and population size from 2014 are taken for size comparison while per capita GDP, GDP growth, inflation, unemployment rates, and current account balance forecasts are taken to further qualify economic health comparisons between states.⁵

Information.

Though not a very forward aspect of the instruments of national power, information systems and the growing interconnectedness between states underlies all other efforts, particularly with respect to actions that support a state's security and affluence. Therefore, the stability, efficiency, and trustworthiness of a state's information systems and infrastructure supporting those systems directly impacts the population and the stabilizing efforts of the state as it employs the instruments of national power.

Finance.

This speaks to the distinct importance of financing as a means for states to influence other actors through the exchange of currencies, awarding or removing national fiscal aid packages, and access to banking systems within foreign states. The extent to which a state contributes to and uses international aid organizations, such as the International Monetary Fund (IMF), is one way to illustrate the fiscal health or needs of the state. The value of a state's

⁵ Current Account is the net value between exports and imports for a state. When it is a positive number, it indicates the state is a creditor to the rest of the nations it trades with. When it is a negative number, it indicates the state is a debtor to the rest of the nations it trades with. When a state has a "current account surplus", it indicates there is an increase in net foreign assets by the amount of the surplus, and vice versa with a current account deficit.

Gross Domestic Product is a broad measure of a nation's overall economic health and activity, often equated to national wealth. It is the monetary value of all goods and services produced within a nation's borders in a given timeframe, generally annually.

national currency in the global currency markets is one measure of the overall financial means to support the state's national objectives.

External Factors

Nationalism/Populism/Isolationism.

The positive effects of globalization are difficult to discount. However, human nature drives many to take a very narrow and near-sighted perspective. Nationalism, also associated with populism and isolationism, combats the effectiveness of globalization by encouraging policies that reinforce national borders instead of dissolving them. Examples of these movements can be seen in the 2016 election results of the United States, Great Britain's vote to leave the European Union (BREXIT), and the 2015 election results in the Philippines, Brazil, Sweden, and Denmark.⁶ It is a major discussion in political circles for the upcoming 2017 elections in France and Germany as well.⁷ States that focus on nationalist policies often create a mutually antagonistic relationship with other states.

The root of the nationalist or populist movement in these states stems from a divergence in opinion between a faction of the population that tends to be dependent on lower-income jobs, and the faction that tends to be more highly skilled, educated, and employed.⁸ The two factions disagree on the economic benefit of globalization, as it enables a free flow of jobs to areas where

⁶ Laura King, "European Far-Right Populist Movements Energized by Britain's 'BREXIT' Vote and Trump's Victory," *LA Times*, December 2, 2016, <http://www.latimes.com/world/europe/la-fg-europe-trump-populism-20161202-story.html>, (accessed January 1, 2017);

Mara Liason, "How this Election's Populist Politics are Bigger than Trump and Sanders," April 25, 2016, <http://www.npr.org/2016/04/25/475551861/populist-candidates-appeal-to-voters-who-feel-theyre-unheard>, (accessed January 1, 2017);

Pippa Norris, "It's Not Just Trump. Authoritarian Populism is Rising Across the West. Here's Why," *The Washington Post*, March 11, 2016, https://www.washingtonpost.com/news/monkey-cage/wp/2016/03/11/its-not-just-trump-authoritarian-populism-is-rising-across-the-west-heres-why/?utm_term=.b1863cbcd3fb, (accessed January 1, 2017);

Griff Witte, Emily Rauhala and Dom Phillips, "Trump's Win May be Just the Beginning of a Global Populist Wave," *The Washington Post*, November 13, 2016, https://www.washingtonpost.com/world/trumps-win-may-be-just-the-beginning-of-a-global-populist-wave/2016/11/13/477c3b26-a6ba-11e6-ba46-53db57f0e351_story.html, (accessed November 14, 2016).

⁷ Norris, "It's Not Just Trump."

⁸ Douglas Irwin, "The Truth About Trade: What Critics Get Wrong About the Global Economy," *Foreign Affairs*, June 13, 2016.

costs are the lowest, generally because those jobs require the least skill and training to accomplish. The faction that relies on those jobs are generally unwilling to migrate to where those jobs are plentiful, and therefore feels disenfranchised by their government. In recent elections this faction reinforced its viewpoint with their votes, and the result is a global trend in electing officials who ran their campaign on populist/nationalist policies and reforms.⁹

This trend signals a departure from the international norms and standards set in place since the end of WWII. The replacement of globalization with isolationism would challenge the current structure on foreign trade and could shift global wealth distribution. In terms of mutual affluence, it would place states that are the most diversified in terms of multi-state trade agreements at a disadvantage. In terms of mutual security considerations, mutual defense agreements, like NATO, would also be either reviewed or left to expire. The risk is that it would encourage states to create more robust organic military capabilities, which has the potential to create tensions along shared borders.

Terrorism.

Terrorism seeks to destroy the peoples' faith and confidence in their government's ability to provide security for them and support their interests. Terrorist organizations are generally non-state actors who organize and employ violence to disrupt and destroy the foundations of international organizations or states that oppose their views and beliefs. They target civilian populations and the infrastructure that supports the well-being of their target populations.

⁹ Justin Wolfers, "Why a President Trump Could Start a Trade War with Surprising Ease," *NY Times*, 2016, <http://www.nytimes.com/2016/09/20/upshot/why-a-president-trump-could-start-a-trade-war-with-surprising-ease.html> (accessed October 31, 2016);

Norris, "It's not just Trump;"

King, "European Far-Right Populist Movements;"

Silvia Marchetti, "Italy's Populists Claim Victory in Referendum But Chaos Looms." *Time Magazine*, December 5, 2016, <http://time.com/4590204/italy-referendum-matteo-renzi-populists/>, (accessed January 4, 2017);

Liason, "How this Election's Populist Politics;"

Birnbaum, "Unsettled by U.S. Vote;"

Witte, Rauhala, and Phillips, "Trump's Win."

Sustained Stability

Stability, in this study, is the interaction of international actors in such a way that the level of hostility does not breach the threshold between violent conflict and war – see figure 2. In this sense, stability exists in conflict, violent and otherwise, but breaks down when war is declared or the level of violence exceeds the threshold of conflict.

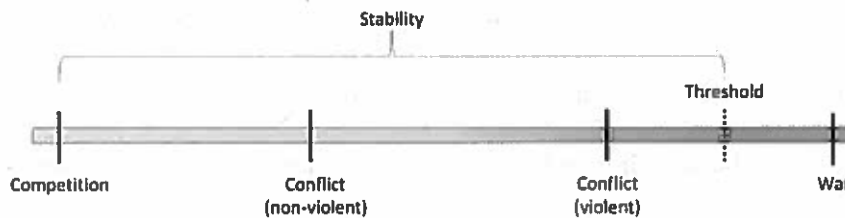


Figure 2: Sustained Stability with Respect to the Threshold of War

This framework proposes that the most beneficial interactions seek to balance the instruments of national power that support security and affluence between the states, while mitigating the negative effects of external factors. To sustain this stability, each state must constantly evaluate its policies and activities with respect to sustaining that balance, while being cognizant of the current environment. At the same time, governments must be cognizant of the external factors that either reinforce or diminish that balance; and either boost or mitigate those factors as necessary to achieve its national objectives and sustain stable relationships within the international system.

Chapter 3: Historical Case Study – Post-WWII Japan

Having defined the context and requirements for the framework, this chapter focuses on the historical example of how this framework applies to post-WWII Japan and the United States. At that moment in history, Japan was a defeated nation with very little input in its own reorganization. The Japanese leadership's acceptance and commitment to the restructuring created the sustained stability and cooperation that still exists. The deliberate decisions following the United State's departure from Japan suggest the utility of this framework. This chapter begins by defining the historical perspective, followed by an analysis of the security and affluence balance between Japan and the United States.

Following its defeat in WWII, Japan was in shambles. The bombing campaigns left nine million Japanese homeless and three million more stranded overseas, in need of repatriation.¹ Economically, the state's infrastructure could not support the population; coal and steel production was a fraction of the wartime levels, and access to natural resources was cut off when Japan's occupied territories returned to the political control of their original states.² From this beginning, the United States deliberately restructured Japan within a democratic rule of law and capitalistic economy.

In 1945, President Truman assigned GEN Douglas MacArthur to be the Supreme Commander of Allied Powers (SCAP), and provided him the authority to implement the policies established by the Far Eastern Commission and Allied Council for Japan.³ Though the reconstruction efforts were allied in nature, in practice the United States, through MacArthur,

¹ Katherine Rogers, "The Interagency Process of Reconstruction of Post-WWII Japan," *In Stability Operations and State Building*, n.d., 172.

² *Ibid.*

³ Roger Buckley, *The United States in the Asia-Pacific Since 1945*, Cambridge: Cambridge University Press, 2002, 16; Miller, 52.

determined occupation policies almost unilaterally.⁴ Under GEN MacArthur's leadership between 1945 and 1952, Japan transformed from a completely destroyed monarchy to a burgeoning democracy.

Mutual Security

Under the Allied restructuring force, Japan's military was transitioned from a power with global reach to a self-defense force, which was augmented by a mutual defense agreement with the United States. Under that security umbrella, Japan's security posture was irrefutably tied to that of the United States.

Diplomacy.

Japan's diplomatic resources grew from regional to global since the end of WWII. Japan currently has a presence in 152 countries, but its most significant and enduring security agreement is with the United States.⁵ Beyond that, Japan has other security agreements with the Philippines, Australia, the Republic of Korea, and India; as well as close security partnerships with NATO, ASEAN, and the EU.⁶ Most recently, in 2015, the Japanese amended their Constitution's Article 9 with legislation, called the Joint Defense Guidelines, designed to reduce the restrictions over the Japanese Self Defense Force (JSDF).⁷

⁴ Roger, 16; Buckley, 17.

⁵ Ministry of Foreign Affairs, "Embassies and Consulates," Government of Japan, http://www.mofa.go.jp/about/emb_cons/over/index.html, (accessed January 3, 2017).

⁶ Ministry of Foreign Affairs, "Japan's Security Policy," Government of Japan, http://www.mofa.go.jp/np/np/page1we_000085.html, (accessed January 3, 2017);

North Atlantic Treaty Organization, "Relations with Japan," http://www.nato.int/cps/en/natohq/topics_50336.htm, (accessed January 3, 2017);

Renato Cruz de Castro, "The Philippines and Japan Sign New Defense Agreement," Asia Maritime Transparency Initiative, March 15, 2016, <https://amti.csis.org/the-philippines-and-japan-sign-new-defense-agreement/>, (accessed January 3, 2017).

⁷ Julian E. Barnes, "U.S., Japan Announce New Security Agreement", *Wall Street Journal*, April 27, 2015, <http://www.wsj.com/articles/u-s-japan-announce-new-security-agreement-1430146806>, (accessed January 3, 2017).

Military.

As defined in the Japanese Constitution, the military is strictly a self-defense force, see table 1. This restricts the investment, size, mission area focuses, and composition of the Japanese military. As such, Japan's nuclear capabilities is limited to electrical generation, and it does not possess critical conventional force equipment that could facilitate a global projection of state power, such as aircraft carriers.⁸ The Japanese mission focus is disaster relief, peacekeeping operations, missile defense, and "other" non-offensive military operations.⁹ However, recent legislature allows Japan to expand its mission focus beyond the historic geographic bounds.¹⁰ Other recent illustrations of Japan's burgeoning military power projection capabilities include their robust BMD systems. An extension of the United States' BMD system, the Japanese purchased several military programs, and further support several United States military bases throughout Japan. The combination of the two enable the Japanese to more adequately defend their own homeland while providing parallel support to a growing power projection capability. The Joint Defense Guidelines is expected to further enable Japan's military to increase its capacity and capability for power projection, which further supports global security initiatives.

⁸ *Jane's Sentinel Security Assessment - Japan*. Country Security Report, IHS, 2016, 81.

⁹ Barnes, "U.S., Japan Announce New Security Agreement."

¹⁰ Ibid.

Table 1: JA/US Military Comparison¹¹

		UNITED STATES	JAPAN
Total Military (personnel)		2,116,600	303,154
Offensive Nuclear (Y/N)		Y	N
Navy			
	Aircraft Carriers	10	-
	Amphibious Ships	31	11
	Combatant Ships (CG/DG/LCS/PC/MCM)	117	74
	Submarines	70	20
	Fixed Wing Aviation	1,320	120
	Rotary Aviation	475	149
	Unmanned Aviation	308	-
	Auxiliary/Logistics Ships	124	107
Army			
	Armor	6,922	657
	Mechanized	13,509	2,807
	Artillery	2,565	1,065
	Aviation	3,209	144
Air Force			
	Combat Fixed Wing Aviation	2,156	292
	Mobility Aviation	1,270	91
	Rotary Aviation	231	53
	Unmanned Aviation	388	-
Marines			
	Armor	440	N/A
	Mechanized	4,380	
	Artillery	616	
	Fixed Wing Aviation	489	
	Rotary Aviation	715	
Coastal/Ballistic Defense			
	Patriot Missile Batteries (# missiles)	7,680	124
	Ground Based Interceptor Sites	44	-
	THAAD Batteries (# missiles)	240	48

Information.

Defined in its National Security Strategy, Japan's strategic message is that it is a peace-loving nation committed to the safety and prosperity of the homeland and its people. It further details that Japan will continue to work with international partners to strengthen "cyber security, international counterterrorism, intelligence capabilities, stable use of outer space, and technological capabilities."¹² As with other major powers, the Japanese Ministry of Defense recognizes the potential and influence of the cyber domain in national security, and reiterated its dedication to working alongside private industry and international partners to strengthen Japanese capabilities.¹³

¹¹ Information for this table taken from the Jane's Sentinel Security Assessment Reports for the United States and Japan, (2016).

¹² Ministry of Foreign Affairs, "Japan's Security Policy."

¹³ Ministry of Defense, "Toward Stable and Effective Use of Cyberspace," Government of Japan, September 2012.

Intelligence.

Japan is dedicated to the security and safety of its citizens internally and internationally.

To ensure the government agencies are provided accurate information on known threats to national security, under the Ministry of Justice, Japan created an agency dedicated to the collection, analysis, and dissemination of critical security intelligence, akin to the United States' Central Intelligence Agency (CIA) and the Office of the Director of National Intelligence (ODNI), called the Public Security Intelligence Agency (PSIA).¹⁴

Law Enforcement

Japanese ability to provide a safe and secure environment for their citizens is on par with other major and developed states. Their police force is highly trained, their law enforcement structure is tiered, and that enforcement system reports to a judicial committee at the national level. Adherence to the rule of law is strictly enforced throughout the country, and the state is considered to support the humane treatment of all individuals.

Mutual Affluence

The economic reforms imposed by the allied command, under GEN MacArthur, set the conditions for the Japanese to reinvent their economic base, which resulted in exponential growth through the Cold War period. This reform and growth resulted in Japan ranking as the third largest individual economy in the world, behind the United States and China.¹⁵

Diplomacy.

Japan's use of diplomacy to support their economic goals falls into three lines of effort. The first is the growth of the Japanese economy, specifically through the promotion of

¹⁴ Public Security Intelligence Agency, "Intelligence Gathering to Protect the People," Government of Japan, <http://www.moj.go.jp/psia/English.html>, (accessed January 3, 2017).

¹⁵ "World Bank List of the Largest Global Economies by GDP," World Bank Indicators Database, October 11, 2016.

international partnerships and the use of foreign missions to create markets for their domestic industries.¹⁶ The second line of effort is to build the Japanese people's "peace of mind in life," specifically focusing on developing international agreements on the exploitation of energy, mineral resources, food security, and the sustainable use of living marine resources.¹⁷ The third line of effort is international rule making, specifically focusing on multi-lateral trade liberalization through the World Trade Organization (WTO), and exploiting their role in the G7 to lead and guide international policy discussions.¹⁸

Economy.

In many respects, based on table 2, the Japanese measures of economic prosperity are either on par with or outshine those of the United States. The two nations have significantly differing GDP figures, with the United States being more than four times larger; however the per capita GDP shows a slightly smaller margin.¹⁹ The Current Account Balance shows Japan's balances are very positive. This is largely due to the nature of Japan's economic base, which revolves around its ability to import raw materials and turn out finished products at much higher prices. Where the United States shows stronger trends is in GDP growth, which is forecast to be significantly higher than Japan's through 2018.

¹⁶ "Diplomatic Bluebook 2016," Tokyo: Ministry of Foreign Affairs, September 2016, 248-249.

¹⁷ Ibid, 249-250.

¹⁸ Ibid, 250-251.

¹⁹ GDP values above divided by the population figures show the United States having a per capita GDP of \$51,638, and Japan's per capita GDP of \$44,656. All figures are in U.S. dollars from 2015 statistics.

Trading Economics – Japan, <http://www.tradingeconomics.com/japan/gdp-per-capita>, (accessed February 10, 2017);

Trading Economics – United States, <http://www.tradingeconomics.com/united-states/gdp-per-capita>, (accessed February 10, 2017).

Table 2: JA/US Economic Comparisons²⁰

	Population (million)	Real GDP (trillion)	GDP Growth (projected)				Unemployment Rate			
	2014	2014	2015	2016	2017	2018	2015	2016	2017	2018
United States	318.9	17.4	2.6	1.6	2.3	2.1	5.3	4.8	4.5	4.5
Japan	126.8	4.1	0.6	0.5	0.5	0.4	3.4	3.1	2.9	2.9
	Inflation Rate					Current Account Balance (\$bil)				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
United States	1.6	0.1	1.2	2.1	2.2	-392	-463	-443	-476	-498
Japan	3.2	-2.3	-3.4	0.4	0.5	36	136	190	186	196

Information.

Japan's Ministry of Internal Affairs and Communications (MIC) is organized to work with private industry. Their goal is to revitalize the "economy and improve the people's lives by achieving an environment that is conducive to business . . ." through efforts focused on three initiatives: "improving the safety and reliability of telecommunication networks, ensure the safe and secure use of the Internet, and promoting the use of radio waves."²¹ The Ministry of Economy, Trade, and Industry (METI) also created a certification program for cybersecurity professionals to ensure both private and government employers are assigned knowledgeable individuals who can maintain secure company and government Information Technology systems.²²

Finance.

Through globalization, the interconnected nature of money markets and international financial systems create opportunities and risks. Japan's Ministry of Finance, International Bureau, is the primary office assigned to manage that risk through "investigation, planning and

²⁰ Information for this table taken from the EIU Country Reports for the United States and Japan, (2016).

²¹ Ministry of Internal Affairs and Communications, "Telecommunications Bureau," Government of Japan, <http://www.soumu.go.jp/english/ib/index.html>, (accessed January 3, 2017)

²² Ministry of Economy, Trade, and Industry, "The IT Security Support Provider System Inaugurated," Government of Japan, http://www.meti.go.jp/english/press/2016/1021_02.html, (accessed January 3, 2017).

drafting of matters concerning foreign exchange and international monetary systems and their stability,” and advancing Japanese interests on “matters concerning international organizations related to economic cooperation or development.”²³ Japan is also a major contributor to the IMF, second only to the United States (table 3 below), and therefore has a great deal of influence in deciding which loans are proffered by the IMF.²⁴

Table 3: IMF quotas and number of votes for top 5 contributors/groups on the Executive Directorate.²⁵

Member	QUOTA		VOTES	
	Millions of SDRs	Percent of Total	Number	Percent of Total
United States	\$ 82,994	17.46	831,406	16.53
Japan	\$ 30,821	6.49	309,669	6.16
China	\$ 30,483	6.41	306,293	6.09
Armenia, Belgium, Bosnia & Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, Macedonia, Moldova, Montenegro, Netherlands, Romania, Ukraine	\$ 24,212	5.09	273,043	5.43
Germany	\$ 26,634	5.60	267,808	5.33

External Factors

Nationalism/Populism

Japan is not experiencing the nationalist/populist wave to the same extent as Europe and the United States. The closest political leader Japan experienced that could be perceived as having a populist tendency was the former Osaka mayor and former Osaka Prefecture governor, Toru Hashimoto, in 2012.²⁶ By 2015, his influence and political future was exhausted, but in 2012 he was perceived as a “dictatorial” leader, which is misleading since the Japanese align that

²³ Ministry of Finance, “Functions,” Government of Japan, http://www.mof.go.jp/english/about_mof/functions/index.htm, (accessed January 3, 2017).

²⁴ International Monetary Fund, “IMF Executive Directors and Voting Power,” <http://www.imf.org/external/np/sec/memdir/eds.aspx>, (accessed January 3, 2017).

Special Drawing Right (SDR) is an international reserve asset, created by the IMF in 1969 to supplement its member countries’ official reserves. A country participating in the IMF needs official reserves - government or central bank holdings of gold and widely accepted foreign currencies - that can be used to purchase its domestic currency in foreign exchange markets, as required to maintain its exchange rate. The value of the SDR is based on a basket of five major currencies: the U.S. dollar, euro, the Chinese renminbi (RMB), the Japanese yen, and pound sterling.

²⁵ Ibid.

²⁶ Michael Hoffman, “What Shape Will Populism Take in Modern Japan,” *Japan Times*, December 2016, <http://www.japantimes.co.jp/news/2016/12/03/national/media-national/shape-will-populism-take-modern-japan/#.WKCFKW8rLIU>, (accessed February 12, 2017).

term to “strong” or “influential.”²⁷ There are two factors that play to Japan’s strengths as to why this sense of popular frustration from the “forgotten people” did not manifest itself into far right or left-winged fanaticism. The first is a lack of migrant/refuge populations in Japan, and the second is a less dramatic degree of income inequality.²⁸

The lack of a large immigrant population is driven by the restrictive immigration laws.²⁹ Japanese society is hierarchical, consensual and inclusive, which does not trend toward inequality. Crime rates are also very low, by international standards, and immigration regulations into Japan are stricter given the space constraints throughout the state.³⁰

In terms of income disparity, Japan is not immune to the potential for social fracture. However, the gap between “elites” and the rest is much narrower. One example is the CEO of Japan’s largest bank takes home “less than 5% of the remuneration of JPMorgan’s Jamie Dimon.”³¹ The income inequality that does exist is between those who have full time employment and those who are employed part-time. The part-time employees, who are mostly young professionals, are the ones who struggle to earn enough to cover their expenses.³²

Terrorism

Though Japan is a critical ally to the United States in the global war on terrorism, it has not experienced the same degree of terrorism from Islamic extremists within its own national

²⁷ Ibid.

²⁸ Peter Tasker, “Why no Trump-san? Japanese Lessons on Populism,” *Nikkei Asian Review*, February 2016, <http://asia.nikkei.com/Viewpoints/Peter-Tasker/Why-no-Trump-san-Japanese-lessons-on-populism>, (accessed February 12, 2017);

Yoichi Funabashi, “Japan, Where Populism Fails,” *NY Times*, February 2017, https://www.nytimes.com/2017/02/08/opinion/japan-where-populism-fails.html?_r=0, (accessed February 12, 2017);

John Plender, “How Japan Resists the Populist Tide: Its Immunity to a Virus Consuming Other Developed Countries is Remarkable,” *Financial Times*, January 2017, <https://www.ft.com/content/987ddda-bbe2-11e6-8b45-b8b81dd5d080>, (accessed February 12, 2017);

Hoffman, “What Shape Will Populism Take in Modern Japan.”

²⁹ Ibid.

³⁰ Plender, “How Japan Resists the Populist Tide.”

³¹ Tasker, “Why no Trump-san?”

³² Plender, “How Japan Resists the Populist Tide;” Hoffman, “What Shape Will Populism Take in Modern Japan.”

borders.³³ Recognizing Islamic fundamentalism isn't the only source of trans-national terrorism, the Japanese are not historically targeted.³⁴ Instead, the Japanese contend with domestic terrorism, such as the 1995 subway sarin attack and the Matsumoto incident in 1994.³⁵ Since the mid-1990's, Japan also reports experiencing several individual and unrelated cases of hate crimes, which did not achieve international recognition.

Summary

The interdependence of the Japanese and American economic machines, intentionally created through the post-WWII reconstruction efforts, inextricably tied the two nations' security, economic, and political interests throughout the Cold War period and into the new millennium. Both states are considered major powers in the international system, however, there is no parity when comparing the United States' and Japanese militaries. As designed in 1950, the JSDF pales in comparison to the United States' military forces in sheer size, capability, and global power projection. However, with the Joint Defense Guidelines in effect, Japan's military is expected to grow both in number and capability. Japan continues to be the critical partner for the United States in the Asia-Pacific region, and the strategic positioning of United States forces in Japan is one of the key enablers to the United States' ability to project power across the globe. Japan's BMD partnership with the United States is a substantial agreement that combines interoperability with foreign military sales, and the operational success extends to the point where naval ships from both states operate interchangeably in the larger Regional BMD mission in the Northern Asia-Pacific. The fact that the United States is also such a stronger proponent of

³³ Y.K. Cherson, "Islamic Terrorism: Why There is None in Japan," *Information Wars*, 2015, <http://www.infowars.com/islamic-terrorism-why-there-is-none-in-japan/>, (accessed February 12, 2017); Scott Romaniuk, "Japan Needs to Wake Up on Terrorism," *Geo-political Monitor*, 2015, <https://www.geopoliticalmonitor.com/japan-needs-to-wake-up-on-terrorism/>, (accessed February 12, 2017).

³⁴ Ibid.

³⁵ Romaniuk, "Japan Needs to Wake Up on Terrorism."

the Japanese's effort to expand its military influence globally speaks to the importance of continuing the current security balance between the two states.

With respect to mutual affluence, the international influence of the Japanese industrial base is far more significant. They have the third largest economy, are the second most influential voters in the IMF, and are continually expanding their domestic industries into other international markets through a very active economic partnership program.³⁶ Underlying Japan's economic and security goals is a robust effort supporting information dominance and cybersecurity infrastructure. The United States' economy may be larger and forecast to grow faster, but the trade dependencies between the two states ensures the balance of affluence elements does not negatively affect the overall stability between the two states.

The impact of external factors appears to be influenced more by the policies of the United States than those of Japan. Based on the smaller footprint in the Japanese mainstream, the destabilizing effects of nationalism and terrorism are more likely to affect the actions of the United States. The most recent example of this was President Trump nullifying the TPP, whereas the Japanese already ratified it and anticipated the economic benefits of the expanded free trade area.³⁷ Without the TPP binding much of the large and smaller Asian nations to the United States, they will likely seek to partner with another state that can provide a similar set of political and economic advantages. With a diminishing United States influence in the region,

³⁶ Japan currently has EPAs with 14 countries: Australia, Brunei, Chile, India, Indonesia, Malaysia, Mexico, Mongolia, Peru, Philippines, Singapore, Switzerland, Thailand, and Vietnam.

Japan, as a member of ASEAN, entered into a Comprehensive Economic Partnership/Free Trade Agreement with: Canada, Columbia, European Union, China, and South Korea.

Japan is continuing negotiations on a Regional Comprehensive Economic Partnership with: Australia, ASEAN members, China, India, South Korea, and New Zealand.

³⁷ Ylan Q. Mui, "President Trump Signs Order to Withdraw from Trans-Pacific Partnership," Washington Post, January 23, 2017, https://www.washingtonpost.com/news/world/wp/2017/01/23/president-trump-signs-order-to-withdraw-from-transpacific-partnership/?utm_term=.69ca1535d5d2, (accessed January 23, 2017).

China's efforts to establish itself as the regional hegemon may gain enough support to become a reality in the next 10-20 years.

The fact that the Japanese chose to continue the policies established by the United States during the restructuring period illustrates the recognition that one element, affluence over security, can become the impetus for an enduring stability between two like-states. The stability that exists between the United States and Japan illustrates the point that parity is not a requirement for balance, and each element – security or affluence – does not need to be individually balanced to validate the framework. The United States exports security through the formal agreement and the foreign basing of American forces, and in return helped establish an economic and political ally in a robust region. Japan relies on the security agreement with the United States to protect its borders, especially from the growing ballistic missile threats, and captured economic benefit through formal bilateral trade agreements with the wealthy American markets. The stability between Japan and the United States, based on overwhelming mutual affluence, made Japan a world power, and is maintaining the United States' national interests in the Asian-Pacific region.

Chapter 4: Historical Case Study – Post-WWII Europe

Similar to Japan, Europe was devastated by WWII. In the wake of that destruction, the European states, led by Great Britain and France, coordinated their efforts on a comprehensive plan to rebuild Europe. This early coordination enabled the United States to show its support through financial aid packages to the various European states. That early cooperation of European states, through several iterations, developed into the European Union. The secondary impact of that union was the establishment of an international actor that is both allied to and competes with the United States. Through this competition, there exists a sustained stability that is more than six decades strong. This chapter begins by defining the historical perspective, then provides an analysis of the framework as it relates to the relationship between the European Union and the United States.

Beginning with the Monroe Doctrine, the United States is dedicated to the ideals of democracy, and established itself as a protector for those states that are willing to create a similar system within their own borders. After WWII, President Truman announced a policy whereby the United States dedicated itself to supporting free democratic people without confining that effort to any one particular geographic region; it was a dramatic, yet logical, leap forward from the tenets of the Monroe Doctrine.¹ Further, it was the critical policy that facilitated the stable relationship the United States has with Europe today.

After the Truman Doctrine was made public, Secretary of State George C. Marshall gave a speech to the Harvard graduating class of 1947. In that speech, he committed the United States to being the primary advocate for a free and prosperous Europe, and tied those efforts to the

¹ Charles L. Mee Jr., *The Marshall Plan: The Launching of Pax Americana*, New York: Simon and Schuster, 1984, 50.

“return of normal economic health in the world.”² His critical point was that aid from the United States could not be provided without a concerted effort on the part of the European community as a whole. He set the stage for European self-actualization by suggesting that the various states develop a plan on how to best employ United States aid money.³ Without that plan, aid money would not be provided.

Marshall’s strategy borrowed key précis from Europeans who advocated for strength through unification. The French Foreign Minister, Robert Schuman, was such an advocate, and was himself influenced by the work of Jean Monnet, who argued that “the States of Europe must form a federation or a ‘European entity,’ which [would] make them a single economic entity.”⁴ The Schuman Declaration, given on May 9, 1950, took Monnet’s larger idea of uniting Europe’s political and economic systems, and developed it into a true first step toward European Unification by advocating a joint Franco-German organization to manage the production and distribution of coal and steel.⁵ By setting the conditions that developed into a balance between security and affluence elements, the United States established a relationship of sustained stability with the Western European states that eventually formed the EU.

Mutual Security

European mutual security is defined by the individual military forces of the individual European states, and two international agreements – NATO and the mutual defense portion in the Treaty of Lisbon (EU). The international agreements would not be worthwhile without the

² George C. Marshall, “The Marshall Plan Speech,” The George C. Marshall Foundation, <http://marshallfoundation.org/marshall/the-marshall-plan/marshall-plan-speech/>, (Accessed: 10OCT16).

³ Marshall, “The Marshall Plan Speech.”

⁴ Desmond Dinan, *Ever Closer Union: An Introduction to European Integration*, Third edition, Boulder: Lynne Rienner Publishers, 2005, 13.

⁵ Aida Čengić, “Does the European Union has a Unique Common Foreign Policy on the Accession of New Member States,” 1945, 814;

Robert Schuman, “Schuman Declaration,” Luxembourg: European Union Publishing House, May 9, 1950.

individual military forces, but the sum of the whole is more powerful than the strength of the individual parts, which means security using the NATO and EU agreements are integral to the achievement of mutual security. Though the membership of each is not the same, there are 22 members in common between the two organizations.⁶ The two defense agreements have functions and statutes within their respective founding documents that reinforce each other. In that way, they work in tandem to support the community's defensive and security goals.

The strength and proven performance of NATO is based in large part on the military power of the United States, and therefore functions similarly to the security agreement between the United States and Japan. From its inception in 1949, through the end of the Cold War, NATO allowed the European states to rebuild economically at the expense of individual defense spending at a level that would otherwise be required to support national security goals, very similar to the United States-Japan Security Treaty of 1952.⁷ With the end of the Cold War, European states began to reinvest in their individual defense capabilities and look toward the development of the EU as a competing collective security platform. This trend does not diminish the overarching correlation – establishing collective security agreements enable states to direct their wealth toward domestic, social, and economic growth efforts.

⁶ The NATO member states include: Albania, Belgium, Bulgaria, Canada, Croatia, the Czech Republic, Denmark, Estonia, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Turkey, the United Kingdom, and the United States.

The European Union member states include: Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden.

The United Kingdom, though technically still considered a part of the EU voted to exit the union and was therefore removed from the list (above).

⁷ Joseph Nye, "The Case for Deep Engagement," *Foreign Affairs*, 1995, 100;
John F. Dulles, "Policy for Security and Peace," *Foreign Affairs*, 1954, 356, 361.

Diplomacy.

NATO is a collective defense agreement between member states designed to support the mutual defense of the member states by the collective.⁸ Though it does not state directly that military action is required, it allows for member states to employ all instruments of national power to support the member that invokes Article 5. The Treaty of Lisbon in 2007, is an amendment to the original treaty creating the European Union, and calls for common defense of member states in the protocol on permanent structured cooperation, established by Article 28A of the Treaty on European Union.⁹ The Lisbon Treaty also enabled the creation of the two important diplomatic positions: the EU High Representative for Foreign Affairs and Security Policy, and the European External Action Service (EEAS), which is the EU's diplomatic corps.¹⁰ The EU itself is a member of the United Nations, while two states within the EU are permanent members of the Security Council.

Under NATO, member states agree to provide forces to the service of the alliance, under multi-national chains of command. NATO's mission was reiterated in the 2010 Strategic Concept, and identifies collective defense, crisis management and cooperative security as the essential core tasks that NATO must continue to assure the security of its members.¹¹

⁸ North Atlantic Treaty Organization, "Official Texts," http://www.nato.int/cps/en/natohq/official_texts_17120.htm, (accessed January 3, 2017); Article 5 of the NATO Agreement states: "The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all and consequently they agree that, if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defence, recognised by Article 51 of the Charter of the United Nations, will assist the Party or Parties so attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area."

⁹ *Treaty of Lisbon: Amending the Treaty on European Union and the Treaty Establishing the European Community*, 2007/C 306/01, Official Journal of the European Union, December 17, 2007.

¹⁰ European Union, "Foreign & Security Policy," https://europa.eu/european-union/topics/foreign-security-policy_en, (accessed January 4, 2017)

¹¹ North Atlantic Treaty Organization, "NATO Capabilities," http://www.nato.int/cps/en/natohq/topics_49137.htm, (accessed January 4, 2017).

Military.

There are two states within the European Union that are nuclear powers, Great Britain and France. The fact that Great Britain will be exiting the European Union is not expected to negatively influence its enduring national interest in the security of the larger European community, and therefore the fact that it is a nuclear power remains applicable to the military element of the EU's mutual security. The EU itself has no standing army; however, member states may call upon other member states, under the Common Security and Defence Policy (CSDP), to support efforts under the following mission areas: joint disarmament operations, humanitarian & rescue tasks, military advice and assistance, conflict prevention and peacekeeping, and crisis management.¹² Since the Lisbon Treaty in 2007, the EU is organized to support two rapid military response operations concurrently, where each "battle group" is comprised of 1,500 soldiers plus equipment.¹³

While NATO remains indispensable to deter armed aggression, there is an increasing desire, particularly after the terrorist attacks in the United States, France, and Turkey, to add teeth to the European Defence Agency (EDA). The EDA has three main missions: "1) support the development of European defence capabilities and military cooperation, 2) stimulating defence research and technology and strengthening the European defence industry, and 3) acting as military interface to EU policies."¹⁴ This was achieved when the implementation of the EDA was tied to a Strategic Defense Review plan.¹⁵ The EDA was founded in 2004, "to support the member states and the council in their effort to improve European defence capabilities in the

¹² North Atlantic Treaty Organization, "NATO Capabilities."

¹³ Ibid.

¹⁴ European Defence Agency, "Mission," <https://www.eda.europa.eu/Aboutus/Missionandfunctions>, (accessed March 27, 2017).

¹⁵ The terrorist attacks referred to are the 9/11 attacks in the United States, the Charlie Hebdo attacks in Paris in 2015, and the bombings in Istanbul in 2016.

Michael Barnier, "From Mutual Assistance to Collective Security: Article 42(7) TEU – Orchestrating Our Response to New Threats," European Political Strategy Centre Strategic Note 10, December 22, 2015.

field of crisis management, and to sustain the European Security and Defence Policy as it stands now and develops in the future.”¹⁶

Intelligence.

The EU’s main focus on intelligence acquisition, analysis, and dissemination is counter-terrorism. Since the majority of the European Union members belong to the Schengen Area, they removed a significant number of border controls to permit the free movement of labor and commerce throughout the member area.¹⁷ Unfortunately, some of the second and third order effects are that it enabled the mass movement of refugees, taxed the welfare entitlements of member states, and supported the freedom of movement to terrorists.¹⁸ The vast majority of refugees, and by extension terrorists, enter the Schengen Area through Greece from states such as Syria, Afghanistan and Iraq.¹⁹

NATO established a Joint Intelligence, Surveillance and Reconnaissance (JISR) organization to pool intelligence capabilities and products from “various sources and disciplines,” and provide analytical information to decision makers within the NATO command structure.²⁰ This system will include the latest Air Ground Surveillance program which performs “all-weather, persistent wide-area terrestrial and maritime surveillance in near real-time.”²¹ The

¹⁶ European Defence Agency, <https://www.eda.europa.eu/Aboutus/Missionandfunctions>, (accessed January 22, 2017).

¹⁷ The Schengen Agreement of 1985 established an area, whereby within the 26 European states, there is a common visa policy allowing the free and unrestricted flow of individuals within the national borders of the member states. This was established separate to the European Economic Community, but was complementary to the goal of a single market European economy.

Elspeth Guild, Sergio Carrera, Lina Vosyliute, Kees Groenedijk, Evelien Brouwer, Didier Bigo, Julien Jeandesboz, Mederic Martin-Maze, *Internal Border Controls in the Schengen Area: Is Schengen Crisis-Proof?*, Policy Report for European Parliament’s Committee on Civil Liberties, 2016, 8-10;

Berend Jansen, *Access Denied: An Analysis of the Discourse Constituting the Common Visa Policy of the Schengen Area*, Masters Thesis, Radboud University, 2016, IX, 12;

Michael Barnier, “Towards a ‘Security Union’: Bolstering the EU’s Counter-Terrorism Response,” European Political Strategy Centre Strategic Note 12, April 20, 2016

¹⁸ Barnier, “Towards a ‘Security Union.’”

¹⁹ Jensen, 12; Guild, et al, 8.

²⁰ North Atlantic Treaty Organization, “NATO Joint Intelligence, Surveillance and Reconnaissance,” http://www.nato.int/cps/en/natohq/topics_111830.htm?selectedLocale=en, (accessed January 4, 2017).

²¹ North Atlantic Treaty Organization, “NATO Joint Intelligence, Surveillance and Reconnaissance.”

primary focus of NATO intelligence systems is to support deployed forces conducting border control and maritime safety, counter-terrorism, crisis management, and humanitarian assistance missions.²²

Information.

With the tremendous amount of data flowing through the open borders of the European Union, cybersecurity is now a core function. With an expanding membership, not all states are on equal footing with respect to having robust cyber infrastructure or regulatory standards. The path to achieving robust cybersecurity standards throughout the Union is daunting. Within the governing structure of the EU, there is an institutional body called the Computer Emergency Response Team (CERT), whose function is to “help manage threats to EU institutions’ computer systems – supporting IT security teams in each EU Institution and liaising with public-sector CERT counterparts in EU countries.”²³

Law Enforcement

The individual states within the European Union have their own law enforcement and security forces, many of which are tiered and structured under judiciary branches, akin to the United States. There is a pan-Europe force, under the cognizance of the European Commission, which assists national law enforcement offices through the following manner: “1) it supports law enforcement operations on the ground, 2) [acts as] a hub for information on criminal activities, and 3) [acts as] a centre of law enforcement expertise.”²⁴ The Europol mandate is to

²² Ibid.

²³ European Union, “European Union Interinstitutional Bodies,” https://europa.eu/european-union/about-eu/institutions-bodies/interinstitutional-bodies_en, (accessed January 4, 2017).

²⁴ European Union, “European Police Office,” https://europa.eu/european-union/about-eu/agencies/europol_en, (accessed March 27, 2017);

European Police Office, “About Europol,” <https://www.europol.europa.eu/about-europol>, (accessed March 27, 2017).

support “law enforcement authorities throughout the EU on crime fighting activities in all its mandated areas.”²⁵

Mutual Affluence

The main purpose for the EU is to integrate the individual member economies into a singular and integrated entity, which provides the benefits of economic stability, higher growth, and lower unemployment to each member state.²⁶ By its nature, this requires coordinated efforts on economic, fiscal, and monetary policies, and in the management of a single currency, for some.²⁷

Diplomacy.

The economic parity the EU enjoys compared to the United States is due to their self-regulation of individual state monetary policies. Garnering a strong basis, the EU can then capitalize on “strength in numbers” when negotiating foreign trade deals with other major powers and advancing European interests in large international organizations, such as the UN. Employing the EEAS, the EU is the largest single donor of development aid in support of the UN Sustainable Development Goals of 2015.²⁸ Not all EU member states adopted the Euro as the common currency, see figure 4, but those that have are more strictly regulated in terms of national monetary and economic policies that impact the overall health of the single market. All EU member states, however, fall under the stability measures of the Stability and Growth Pact

²⁵ European Police Office, “About Europol.”

²⁶ European Union, “European Union Economic and Financial Affairs,” http://ec.europa.eu/economy_finance/euro/emu/index_en.htm (accessed January 4, 2017).

²⁷ European Union, “European Union Economic and Financial Affairs,” http://ec.europa.eu/economy_finance/euro/emu/index_en.htm (accessed January 4, 2017).

²⁸ European Union, “European External Action Service,” https://eeas.europa.eu/headquarters/headquarters-homepage/3637/eus-international-roles_en (accessed January 4, 2017).

(SGP) of 1989. The SGP is “a set of rules designated to ensure that countries of the EU pursue sound public finances and coordinate their fiscal policies.”²⁹



Figure 3: Euro Area³⁰

Economy.

The EU reached a level of economic parity to the United States, as seen in table 4. In virtually all measures, the EU achieves comparable if not better levels of economic strength than the United States. The World Bank ranks the EU as the second largest economy in the world,

²⁹ European Union, “European Union Economic Governance,” http://ec.europa.eu/economy_finance/economic_governance/sgp/index_en.htm (accessed January 4, 2017).

³⁰ European Union, “European Union Economic and Monetary Affairs,” https://europa.eu/european-union/topics/economic-monetary-affairs_en (accessed January 4, 2017).

behind the United States, and larger than China.³¹ With the implementation of the Digital Single Market initiative, it has the possibility of adding “€415 billion per year to the [European] economy, and [creating] hundreds of thousands of new jobs.”³²

Table 4: EU/US Economic Comparisons³³

	Population (million)	Real GDP (trillion)	GDP Growth (projected)				Unemployment Rate			
	2014	2014	2015	2016	2017	2018	2015	2016	2017	2018
United States	318.9	17.4	2.6	1.6	2.3	2.1	5.3	4.8	4.5	4.5
European Union	508.0	14.8	2.2	1.8	1.6	1.8	9.4	8.6	8.3	7.9
	Inflation Rate					Current Account Balance (%GDP)				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
United States	1.6	0.1	1.2	2.1	2.2	-2.3	-2.6	-2.4	-2.5	-2.5
European Union	0.5	0.0	0.3	1.6	1.7	2.5	3.3	3.7	3.5	3.3

Information.

Recognizing the advantages of technology in the future of global economics, the EU embraces Europe’s digital revolution by moving the concept of the one market into cyberspace. EU’s “Digital Single Market” strategy proceeds along three “pillars,” that improve access to digital goods and services, create an environment where digital networks and services can prosper, and use ‘digital’ as a driver for growth.³⁴ Recent measures to this end are boosting mobile internet services, ending roaming charges, and creating free WiFi in all public areas within all member states.³⁵ Key to these initiatives is bringing all member states’ cyber infrastructure up to par with current technologies, which involves providing incentives for building high-speed broadband networks, introducing common privacy and security regulations that all member states can adhere to, and encouraging competition across member states to

³¹ World Bank, “World Bank 2015 List of the Largest Global Economies by GDP,” <http://databank.worldbank.org/data/download/GDP.pdf>, (accessed January 4, 2017).

³² European Union, “Digital Single Market,” http://ec.europa.eu/priorities/digital-single-market_en (accessed January 4, 2017).

³³ Information for this table taken from the EIU Country Report for the United States and the European Commission Economic Forecast, (2016).

³⁴ European Union, “Digital Single Market.”

³⁵ Ibid.

disrupt national telecom monopolies to ensure the best services are provided at reasonable prices.³⁶

Finance.

Through the European Central Bank (ECB) and the central bank systems of the member states, the European Monetary Union (EMU) ensures a stable price system throughout the member states. All euro payments between bank systems are more efficient and cheaper, regardless of nationality, and reduces the hassles for the individual citizens by eliminating money exchanges between the states that adopted the Euro. The coordinated fiscal policies support a greater degree of financial stability and protection of savings, from the citizen's perspective, even in times of economic crisis.

External Factors

After five generations of globalization and increased infrastructure building, Europeans are beginning to redefine what is important to them by voting in favor of candidates who champion a nationalist/populist/isolationist policies. Recent examples of this include Hungary's election of a populist Prime Minister in 2010, Great Britain's vote to separate from the EU (BREXIT), and the resignation of Italian Prime Minister on December 4, 2016, after the populist won a referendum vote against proposed constitutional reforms.³⁷

Nationalism/Populism.

The rise in nationalism/populism in Europe also corresponds to an increasing discussion of the applicability of NATO in the current international system. This is important to defining

³⁶ European Union, "Digital Economy and Society," https://europa.eu/european-union/topics/digital-economy-society_en, (accessed January 4, 2017).

³⁷ Silvia Marchetti, "Italy's Populists Claim Victory in Referendum, But Chaos Looms," *Time Magazine*, December 5, 2016; Griff Witte, Emily Rauhala, and Dom Phillips, "Trump's Win May be Just the Beginning of a Global Populist Wave," *Washington Post*, November 13, 2016;

Laura King, "European Far-Right Populist Movements Energized by Britain's 'BREXIT' Vote and Trump's Victory," *LA Times*, December 2, 2016.

European defense capabilities in the future, should enough populists succeed in isolating their respective states. In a period where globalization and foreign policy initiatives are overshadowed by a renewed importance on domestic issues, there is a growing number of Europeans who use their vote to focus budgets and policies on domestic issues.³⁸

The growing influence of nationalist/populist policies has the potential to drive individual states to shore up their individual security structures, which has the potential to cause distrust among neighbor states. The difference between NATO and the EU is well recognized, and it is not expected to become a competition; rather they are expected to shore up the gaps that result from the different memberships.³⁹

Terrorism.

The international agreement that formed the Schengen Zone supports the single market economy by allowing a less restricted flow of individuals across international borders. Though the membership of the two agreements are not exactly the same (see figure 2), there is a significant overlap, which facilitates the economic impact of the single economy and currency.⁴⁰ The risk is that it becomes easier for terrorists, diseases, and refugees to move across Europe, once they are able to gain access to one state within the membership.⁴¹ With the Euro being the second largest monetary system, and the free flow of currency between member states, it also makes financing terrorism easier to coordinate once funds enter the system, and creates a

³⁸ Berend Jansen, *Access Denied: An Analysis of the Discourse Constituting the Common Visa Policy of the Schengen Area*, Masters Thesis, Radboud University, 2016, 9;

King, "European Far-Right Populist Movments Energized by Britains 'BREXIT';"

Norris, "It's Not Just Trump."

³⁹ European Union, "Shared Vision, Common Action: A Stronger Europe," 2016, 20.

⁴⁰ The member states that form the Schengen Zone are: Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, and Switzerland.

AXA Assistnace Insurance Group, *Map of the Schengen Countries*. 2017, <https://www.axa-schengen.com/en/countries-schengen-area>, (accessed January 23, 2017);

Jenni Riihimäki, *Immigration in Parliamentary Discourse: Critical Discourse Analysis of British Parliamentary Debates before and after the General Election of 2015*, Masters Thesis, University of Tampere, 2016, 3-4.

⁴¹ Jansen, IX,

challenge to regulators as they strive to inhibit terrorism financing while maintaining the freedoms and financial security of the individual European countries.



Figure 4: Map of the Schengen and EU Membership

Summary

Both the EU and NATO inextricably link the might of member states together in an interdependent system of mutual security and affluence, creating the best example of both elements that exists in the current international system. This complex European relationship also created an entity that was able to achieve affluence and security parity with the United States.

Through more than six decades of globalization, the EU and the United States established a binding relationship based on mutual affluence. The mutual security relationship between the two states is foundational, and created a stabilizing force that, combined with the affluence ties, can overcome the negative effects of the external factors that both regions are experiencing. The challenges posed by nationalist/populist policies, trans-national terrorism, and the vulnerability

of a growing cyberspace domain are expected to strain the affluence and security ties between the two major powers.

Europe and the United States are experiencing a resurgence in nationalism as the individual states attempt to mitigate the popular resentment over income inequity. The excessive number of immigrants taking advantage of the open borders of Europe, and the various welfare systems, settle and compete for work alongside citizens. The sheer number of immigrants willing to take on low-skill jobs shifts the flow of employment, which is creating income inequity in affluent regions and boosting the popularity of nationalist/populist political policies. Populist candidates in many European states are challenging the ruling parties, many of whom are encouraged by the recent populist political victories in Great Britain (BREXIT) and the United States. The challenge exists when these candidates attempt to accomplish their various campaign promises, yet continue to spur economic development. It is unlikely any single candidate in any single state can eliminate the degree by which states and economies are interconnected; however, the more insular their policies, the slower the progress toward mutual affluence. Insular policies also negatively impact the progress toward mutual security by sowing seeds of mistrust between states.

Chapter 5: Framework Application – China

Having defined the context and requirements for the framework, and demonstrated the applicability with two historical case studies, this chapter marks the transition to current analysis of the framework by comparing security and affluence elements of China to those of the United States. The analysis begins by defining the historical perspective, followed by identifying any existing balances with respect to security and affluence elements, and conclude with proposals to bring about stability.

Mao Zedong's Communist movement (PRC) succeeded in displacing the Chinese Nationalist Party (KMT) in 1950. This created a split with the KMT forming a second "China" on the island of Taiwan, while the PRC maintained control over the mainland. The resulting tensions were felt as much in Moscow as they were in Washington, with the Chinese breaking away from the Stalinist version of Communism and adopting their own version. From that point on, China continued a pattern of exerting its military power and international influence starting with the military annexation of Tibet that lasted almost ten years, from 1950-1958, its support to the Korean Communists in the Korean War from 1950-1953, its support for the Vietnamese Communists in both Indochinese Wars in the 1960-1970s, and its invasion of Vietnam in 1979.¹ After Mao's death in 1976, China's hardline policies began to soften as a reformist took the helm as the leader of the PRC, Deng Xiaoping, and China's participation in and influence on the international system became more pervasive.²

As the effects of globalization in the United States, Japan, and Europe resulted in economic growth and stability, China's vision for itself within the international system evolved

¹ Miller and Wich, 50, 78-80, 90-94, 96-102.

² Ibid, 209-210.

to accept an increased tolerance for capitalism as a driver for economic growth.³ By the end of the Cold War period, Chinese leadership began endorsing a neo-mercantilist economic policy, which included progressively increasing foreign trade into its domestic market.⁴ This led to a flood of political and economic interests in a rapidly expanding Chinese market, and on a broader scale the Asia-Pacific region. With that attention came an equitable increase in foreign direct investment that put China's current account balance solidly in the black, and spurred the development of a strong middle class.⁵ With its economy on an upswing, China funneled government funding to improve what it saw as its two critical programs: social support and military modernization.⁶ Critical to these goals is a reliance on international support in the form of multi-lateral agreements, such as the Asian Infrastructure Investment Bank (AIIB), Association of Southeast Asian Nations (ASEAN), and the "New Silk Road."

Mutual Security

China is a major power in the current international system, and its influence continues to expand. Central to Chinese efforts are three "core interests" that were defined in a national security law enacted in July of 2015: "the political regime; the sovereignty, unity and territorial integrity of the nation; and people's livelihoods, the sustainable economic development of society and other major interests."⁷ Core interests are non-negotiable goals for the Chinese

³ Miller and Wich, 210.

⁴ Historical population figure is taken from 1990, and was 1,154,605,773 persons; World-o-Meter, "China Population," <http://www.worldometers.info/world-population/china-population/> (accessed February 11, 2017).

⁵ Dominic Barton, Yougang Chen, and Amy Jin, "Mapping China's Middle Class," *McKinsey Quarterly*, June 2013; "The Rise of China's Consumer Class," *Macroeconomic Insights on China*, Goldman Sachs, 2016.

⁶ Alice L. Miller and Richard Wich, 222-223;

Richard A. Bitzinger, "China's Double-Digit Defense Growth: What it Means for a Peaceful Rise," *Foreign Affairs*, March 19, 2015.

Jane's Sentinel Security Assessment - China and Northeast Asia, Country Security Report, IHS, 2016.

⁷ Edward Wong, "Security Law Suggests a Broadening of China's 'Core Interests'," *NY Times*, July 2, 2015;

Ellen Bork, "China's 'Core Interests'," *World Affairs Journal*, July 20, 2015;

Weixing Hu, "Xi Jinping's 'Big Power Diplomacy' and China's Central National Security Commission (CNSC)," *Journal of Contemporary China*, 163-177, 2016.

people, created to ensure their security and prosperity.⁸ What is interesting is that they do not differ dramatically from many of the core interests of the United States: the security of the United States, its citizens, allies, and partners; strong, innovative, and growing economy; respect for international values; and rule of law.⁹

Diplomacy.

Under the Clinton administration, the “New Pacific Community Initiative,” announced in 1993, promoted the Asia-Pacific Economic Cooperation (APEC) initiatives. In 2001, the United States endorsed China’s acceptance into the World Trade Organization (WTO).¹⁰ Under President George W. Bush, the common threat of terrorism helped push the two major powers to work together more closely, and the United States continued to encourage China to take more active roles in international affairs.¹¹ Under President Obama, the policy of rebalancing to the Pacific became a shallow policy that sought to highlight the importance of the region without creating new security agreements in the region. By that policy initiative, President Obama did focus other diplomatic and security engagements by other key leaders, such as the Secretary of State and military service chiefs.¹²

Following President Obama’s pivot to the east policy, there was an increased interest at the United States senior military leadership level to engage their Chinese peers in key leader engagements with the desire to broker a level of professional understanding. One of the most recognized and publicized efforts was from ADM Jonathan Greenert, the United States Chief of

⁸ Wong, 1.

The term the Chinese use is “Hexin Liyi”, which roughly translates to “critical issues on which there is very little room, if any, for negotiation.”

⁹ President of the United States of America, “National Security Strategy,” Washington D.C.: White House Publishing, 2015, 2.

¹⁰ Robert G. Sutter, *The United States and Asia: Regional Dynamics and Twenty-First Century Relations*, New York: Rowman & Littlefield, 2016, 72-73

¹¹ Ibid, 72-73.

¹² Ibid, 73-78.

Naval Operations (CNO), when he and the Chinese People's Liberation Army – Navy (PLAN) Chief, Adm Wu Shengli, announced the widespread use of Conduct for Unplanned Encounters at Sea (CUES), by both states.¹³ CUES is essentially an “etiquette guide” for military and coast guard vessels when they are operating in the vicinity of each other, designed to enable professional and transparent communications.¹⁴ The current CNO, ADM John Richardson, adopted a similar position of engagement with China, meeting with Adm Shengli in July 2016, to continue the dialogue on mutual operations, particularly in the South China Sea.¹⁵ Additionally, since 2005, the United States and China aligned to support each other, with military forces, in disaster relief missions; this is a combined effort that United States and Chinese units continue to support in combined drills.¹⁶

To further China's core interests, the current President, Xi Jinping, established the Central National Security Commission (CNSC) to “elevate Chinese foreign policy capacity to conduct ‘big power diplomacy’,” which he further defines as China's ability to deal with other major powers, such as the United States and Russia, from a position of superiority or parity, and an internal self-identification that China is a ‘big power’ in world affairs.¹⁷ The Chinese concept of “big power diplomacy” defines their way of thinking, a recognition of their sense of global responsibility, and the manner they expect to approach future foreign relations initiatives.¹⁸

¹³ Western Pacific Naval Symposium, “Code for Unplanned Encounters at Sea,” 2014;
Sam LaGrone, “CNO Greenert: U.S. Navy Needs to Engage More with China,” *U.S. Naval Institute*, October 15, 2014;
Commander, Pacific Fleet. *U.S., Chinese Navies Practice Search and Rescue, CUES*. August 15, 2016.
<http://www.cpf.navy.mil/news.aspx/130061> (accessed January 24, 2017);

CUES member states are: China, United States, Australia, Brunei, Cambodia, Canada, Chile, France, Indonesia, Japan, Malaysia, New Zealand, Papua New Guinea, Peru, Philippines, Republic of Korea, Russia, Singapore, Thailand, Tonga, Vietnam, Bangladesh, India, and Mexico.

¹⁴ LaGrone, “CNO Greenert.”

¹⁵ Sam LaGrone, “PLAN's Wu to CNO Richardson: Beijing Won't Stop South China Sea Island Building,” *U.S. Naval Institute*, July 18, 2016.

¹⁶ Janice M. Frayer and David Lorn, “US Troops, Chinese Rivals Find Common Ground at Drill,” *MSN.com*, November 19, 2016.

¹⁷ Hu, 163, 165.

¹⁸ *Ibid*, 166.

Military.

The United States and China are both nuclear powers with significant conventional forces (see table 4). While the size of the military force is also nearly equal, the fact that China's population is so much larger than the United States' makes that a curious corollary; it implies, should the need arise, China has a significant reserve population to draw from.

Table 5: CH/US Military Comparison¹⁹

		UNITED STATES	CHINA
Total Military (personnel)		2,116,600	2,020,000
Offensive Nuclear (Y/N)		Y	Y
Navy			
	Aircraft Carriers	10	1
	Amphibious Ships	31	72
	Combatant Ships		
	(CG/PG/LCS/PC/MCM)	117	251
	Submarines	70	63
	Fixed Wing Aviation	1,320	398
	Rotary Aviation	475	87
	Unmanned Aviation	308	UNK
	Coastal Defense Sites (#missiles)	-	4,370
Auxiliary/Logistics Ships	124	215	
Army			
	Armor	6,922	7,070
	Mechanized	13,509	4,550
	Artillery	2,565	16,903
	Aviation	3,209	766
Air Force			
	Combat Fixed Wing Aviation	2,156	1,674
	Mobility Aviation	1,270	266
	Rotary Aviation	231	104
	Unmanned Aviation	388	UNK
Marines			
	Armor	440	N/A
	Mechanized	4,380	
	Artillery	6161	
	Fixed Wing Aviation	489	
	Rotary Aviation	7161	
Coastal/Ballistic Defense			
	Patriot Missile Batteries (# missiles)	7,680	-
	Ground Based Interceptor Sites	44	-
	THAAD Batteries (# missiles)	240	-
	SRBM (non-nuclear)	-	800
	MRBM (non-nuclear)	-	80
	ICBM (non-nuclear)	-	38
	SLBM (non-nuclear)	-	24

The United States regularly deploys its military forces globally, and maintains permanently deployed military forces to other states throughout the world. China does not currently demonstrate the same power projection capability, and the extent to which it maintains

¹⁹ Information for this table taken from the Jane's Sentinel Security Assessment Reports for the United States and China, (2016).

foreign basing is relegated to contested territories in the South China Sea. China's focus is to gain regional security hegemony within the first island chain (see figure 5). Chinese air forces are quite proficient, but constrained by the fact that they are only able to operate off land bases. The PLAN recently completed sea trials on one aircraft carrier, but its pilots are not assessed as being proficient in operating aircraft from a mobile platform.²⁰ China's individual military services continue to increase their individual interests at the expense of achieving joint capabilities. China fails to demonstrate the capability of conducting joint military operations with any degree of proficiency.

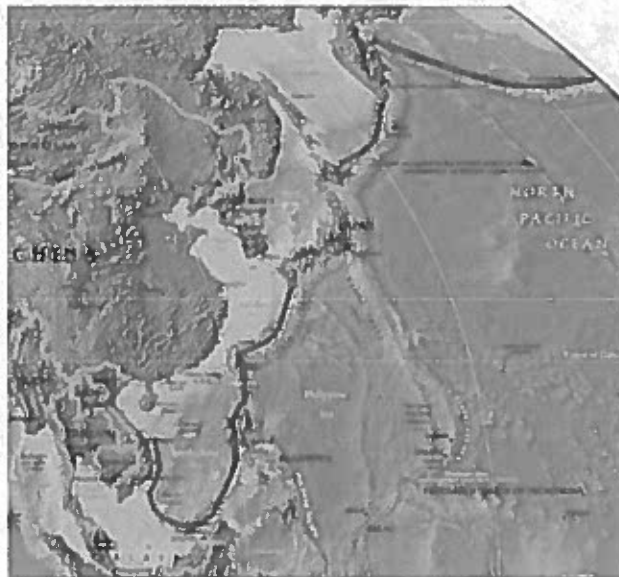


Figure 5: The First Island Chain in the Pacific²¹

As a response to the increase in Chinese activity within the first island chain, the United States Navy committed to increasing its presence in Asia by 10%, specifically maintaining a net of one carrier, seven destroyers, ten littoral combat ships, and two submarines above the numbers

²⁰ Gabriel Dominguez, "China's First Aircraft Carrier Now 'Combat Ready,' say Chinese Media," *Jane's Defense Weekly*, November 16, 2016.

²¹ The map shows the "first island chain" perimeter (red). This map was taken from Wikimedia Commons, and derived from "Asia's balance of power: China's military rise," and "China's military rise: The Dragon's New Teeth." Both articles are from the Economist, dated April 7, 2012. (Map created on April 10, 2012).

historically deployed in the region.²² These assets are assigned to the SEVENTH Fleet Commander, and will be assigned home ports in the various bases throughout the Japanese islands. Additionally, there are forces assigned to the THIRD Fleet that routinely transit through the SEVENTH Fleet area of operations, which are operationally employed in that span of time.

Other stark differences exist with respect to the mission areas each nation values. The United States does not invest in coastal defense sites that are designed to defend the homeland against assault; whereas China's national priorities is the defense of its territories, its coastline is expansive, and all its neighbors are maritime states. China, therefore, continues to invest in systems, equipment, and training that enhance its anti-access, area denial (A2/AD) capabilities.²³

Information.

The Chinese are becoming more sophisticated in how they exploit technology and expand capabilities in cyberspace. They employ cyber-espionage to support security and economic goals.²⁴ Cognizant of the impact of cyberspace and cybersecurity on its strategic goals, China is attempting to protect itself from overexposure with a new law passed in November 2016 that aims to control the data and technological equipment pertaining to "strategic sectors" that flow into and out of their national borders.²⁵

In a recent review of the Chinese cyberspace capabilities, the United States Department of Defense reported to Congress that cyberspace is "a new domain of national security and area

²² Sutter, *The US and Asia*, 80-82

²³ *Jane's Sentinel Security Assessment - China and Northeast Asia*, 3; Anti-Access Weapons is the term generally used for missile systems that target enemy assets at extreme distances in order to circumvent or in other way nullify enemy self-defense systems on capital assets. Example being targeting satellites in low-earth orbit, or anti-ship cruise missiles.

²⁴ Peter Mattis, "The Analytic Challenge of Understanding Chinese Intelligence Services," *Studies in Intelligence*, Vol 56, No. 3, September 2012, 53;

Peter Mattis, "The New Normal: China's Risky Intelligence Operations," *National Interest*, July 6, 2015.

²⁵ Josh Chin and Eva Dou, "China's New Cybersecurity Law Rattles Foreign Tech Firms," *Wall Street Journal*, November 7, 2016.

of strategic competition.”²⁶ Given the reliance military forces have on cyber and electronic warfare systems, it is logical to assess both Chinese and American research and development efforts are directed toward exploiting these areas for offensive and defensive capabilities.²⁷ The systems under this construct allow a force to “weaken an adversary’s ability to acquire, transmit, process, and use information during war and to force an adversary to capitulate before the onset of conflict.”²⁸

Intelligence.

Chinese intelligence capabilities fall within two categories – civilian and military. Under civilian leadership, the Ministry of State Security (MSS) operates counterespionage and counterintelligence, foreign intelligence and domestic intelligence assets, whereas the Ministry of Public Security (MPS) manages the national police and domestic intelligence assets.²⁹ Under military leadership, the Second Department of the People’s Liberation Army (PLA) General Staff operates foreign intelligence defense attaché system, imagery intelligence, and tactical reconnaissance assets.³⁰ The operation and collection of intelligence data does not concatenate into a central organization with the benefit of an aggregated perspective.

Law Enforcement

The Ministry of Public Security manages China’s tiered security force structure to maintain rule of law within the territorial borders of the state. China maintains a very strict rule of law for its citizens and often criticized for the harshness of the punishments decreed. There is

²⁶ Phil Muncaster, “U.S. DoD: ‘China Ramped Up Cyber Warfare Capabilities in 2015,’” *Information Security Magazine*, May 17, 2016, <http://www.infosecurity-magazine.com/news/dod-china-ramped-cyber-warfare/>, (accessed January 4, 2017).

²⁷ Electronic Warfare describes an area of conventional combat that exploits the electromagnetic spectrum or directed energy to attack, impede, or deny the opponent their ability to sense or target friendly assets. Systems that contribute to this are categorized as Electronic Attack, Electronic Protection, or Electronic Support.

²⁸ Muncaster, “U.S. DoD: ‘China Ramped Up Cyber Warfare Capabilities in 2015.’”

²⁹ Mattis, “Understanding Chinese Intelligence,” 52.

³⁰ Ibid.

also substantial number of cases where Chinese citizens were not afforded humane treatment based on international human rights standards. These cases are public, and exhaustively documented to the point of being common knowledge.

Mutual Affluence

Economically, China and the United States are much closer than one may initially believe. China's main advantage is in its ability to create and export finished industrial goods more cheaply. The United States, though it still maintains substantial industrial capability, is transitioning to a highly technical industry base and heavy in the service sectors. What makes China attractive to other states is the fact that it is a market composed of 1.4 billion people, with a growing middle class with a desire for more sophisticated goods and services.³¹

Diplomacy.

Asia-Pacific Economic Cooperation (APEC) is an example of several international arrangements and agreements seeking to align the states in the Asia-Pacific region for mutual economic benefit. APEC is a consortium of states that border the Pacific Ocean, where heads of state meet annually to discuss and coordinate efforts of free trade throughout the region.³² APEC was established following a speech by the Prime Minister of Australia, Bob Hawke, on January 31, 1989.³³ Though it is not a binding agreement, it facilitates access to the leaders of these states, for economic proposals.

³¹ Dominic Barton, Yougang Chen, and Amy Jin, "Mapping China's Middle Class," *McKinsey Quarterly*, June 2013; "The Rise of China's New Consumer Class," http://www.goldmansachs.com/our-thinking/macroeconomic-insights/growth-of-china/chinese-consumer/index.html?cid=PS_01_50_07_00_01_15_01&mkwid=tmNnxqa (accessed October 17, 2016).

³² Asia-Pacific Economic Cooperation, "History," <http://www.apec.org/About-Us/About-APEC/History.aspx>, (accessed January 4, 2017); APEC member states include: Australia, Brunei Darussalam, Canada, Chile, China, Chinese Taipei, Hong Kong, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Singapore, Thailand, Vietnam, and the United States.

³³ Ibid.

President Obama's National Export Initiative determined that four of the ten emerging export markets are part of the Asia-Pacific region.³⁴ China recognizes this fact as well, and is poised to take advantage of the opportunity to expand its economic and political influence in what is the fastest growing region.³⁵ China has several diplomatic efforts in place to reinforce its core interest of economic growth and increasing the livelihood of its people – New Silk Road, AIIB, and the Regional Comprehensive Economic Partnership (RCEP). All of which represent a unique and comprehensive approach to competing with the international organizations created from the Bretton Woods agreements, and provide an alternative to trade agreements with the United States as the most influential member.



Figure 6: China's New Silk Road – land and maritime routes³⁶

³⁴ Sutter, *The US and Asia*, 83

³⁵ Lurong Chen, "RCEP is Not the Anti-TPP," *The Diplomat*, December 03, 2016;

Andrew Elek, "China Takes the Lead on Economic Integration," *East Asia Forum*, 7 2015.

³⁶ Anna Bruce-Lockhart, "Why is China Building a New Silk Road?" *World Economic Forum*, June 26, 2016, <https://www.weforum.org/agenda/2016/06/why-china-is-building-a-new-silk-road/>, (accessed January 4, 2017).

The New Silk Road initiative, also referred to as “One Belt One Road” (OBOR), is an effort by China to reestablish trade across similar trade routes that existed in 200 BC, connecting mainland China to England, through Eurasia and Europe.³⁷ Under China’s current OBOR construct, there is an overland route via rail, and a maritime route, see figure 6.³⁸ The effort is a win-win from the United States’ perspective as it has the potential to generate real investment and economic stability in Central Asia, as well as to connect areas rich in energy resources with the more remote states in the region.³⁹ From China’s perspective this is an “outlet for the vast overcapacity in industries such as steel and heavy equipment,” while increasing the value of trade to \$2.5 trillion across 40 nations.⁴⁰ At the same time, it is a geopolitical project that positions China to significantly improve its standing with neighbor states, both economically and culturally.⁴¹

Tied to China’s OBOR effort is the creation of a new international bank, the AIIB, which many perceive as a competitor to the World Bank. Its designed focus is on “the development of infrastructure and other productive sectors in Asia, including energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply and sanitation, environmental protection, urban development and logistics, etc.”⁴² The logical tie is that China established a bank, largely with its own money and where it held the majority vote, to

³⁷ Jonathan Webb, “The New Silk Road: China Launches Beijing-London Freight Train Route,” *Forbes*, January 3, 2017; “The New Silk Road: China’s Latest Wave of Globalisers Will Enrich their Country – and the World,” *The Economist*, September 10, 2015;

James McBride, “Building the New Silk Road,” *Council on Foreign Relations*, May 25, 2016.

³⁸ Bruce-Lockhart, “Why is China Building a New Silk Road.”

³⁹ “The New Silk Road: China’s Latest Wave of Globalisers Will Enrich their Country”;

The State Department of the United States, “Official Statement on the ‘New Silk Road,’” <https://www.state.gov/p/sca/ci/af/newsilkroad/>, (accessed January 4, 2017).

⁴⁰ “The New Silk Road: China’s Latest Wave of Globalisers Will Enrich their Country.”

⁴¹ Bruce-Lockhart, “Why is China Building a New Silk Road.”

⁴² AIIB Homepage, <http://euweb.aiib.org/html/aboutus/introduction/aiib/?show=0> (accessed January 4, 2017).

encourage other states to help finance the infrastructure improvements needed to establish their connections to China's OBOR trade infrastructure.

In contrast, the Regional Comprehensive Economic Partnership (RCEP) is a proposed free trade agreement between the 10 states of the Association of Southeast Asian Nations (ASEAN).⁴³ It can be viewed as the first step toward a common Asian market.⁴⁴ The groundwork of collaboration exists within ASEAN. RCEP expanded this collaborative group to also include China, Australia, India, Japan, Republic of Korea, and New Zealand, which establishes it as a vehicle for further economic integration in the region.⁴⁵

Economy.

With the progressive liberalization of the Chinese economy, the central government portrays a desire to increase trust, wealth, and cooperation in the region; however, China's core belief remains that global influence is a zero-sum game.⁴⁶ The comparative economic strength of the United States and China is summarized in table 6. By pure GDP, China is closer to the United States than most other individual states; however, when you take into account the dramatic difference in populations, the GDP per capita figures indicate that China fails to gain the most benefit from its largest asset – its people.⁴⁷ By adopting a more “Western” economic model and deregulating more industries, the GDP growth and Current Account balance figures and forecasts are substantially more positive than the United States.

⁴³ Wikipedia, https://en.wikipedia.org/wiki/Regional_Comprehensive_Economic_Partnership (accessed January 4, 2017).

⁴⁴ Chen, “RCEP is not the Anti-TPP.”

⁴⁵ Australian Department of Foreign Affairs and Trade, *Regional Comprehensive Economic Partnership*, 2017, <http://dfat.gov.au/trade/agreements/rcen/Pages/regional-comprehensive-economic-partnership.aspx>, (accessed January 4, 2017); Association of Southeast Asian Nations, *ASEAN Framework for Regional Comprehensive Economic Partnership*, 2017, http://asean.org/?static_post=asean-framework-for-regional-comprehensive-economic-partnership (accessed January 4, 2017); Chen, “RCEP is not the Anti-TPP.”

⁴⁶ Lieberthal, vii-viii

⁴⁷ Trading Economics – China, <http://www.tradingeconomics.com/china/gdp-per-capita>, (accessed February 10, 2017);

Trading Economics – United States, <http://www.tradingeconomics.com/united-states/gdp-per-capita>, (accessed February 10, 2017);

GDP values in Table 6 were divided by the population figures, and show the United States having a per capita GDP of \$51,638, and China's per capita GDP of \$6,497. All figures are in U.S. dollars from 2015 statistics.

Though this study does not assert that the international economic system is a zero-sum game, the research suggests that as China's economic influence grows the United States' influence in that region is expected to decline.⁴⁸ This reinforces the perception that China's goal of establishing itself as the most influential state within the first island chain is something that is achievable in the future. To that end, China continues to nurture new security and economic relationships with states that are historically close allies to the United States, such as Malaysia and the Philippines.⁴⁹

Table 6: CH/US Economic Comparisons⁵⁰

	Population (million)	Real GDP (trillion)	GDP Growth (projected)				Unemployment Rate			
	2014	2014	2015	2016	2017	2018	2015	2016	2017	2018
United States	318.9	17.4	2.6	1.6	2.3	2.1	5.3	4.8	4.5	4.5
China	1355	10.6	6.9	6.7	6.2	4.2	4.1	4.2	4.4	5.0
	Inflation Rate					Current Account Balance (\$bil)				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
United States	1.6	0.1	1.2	2.1	2.2	-392	-463	-443	-476	-498
China	2.6	1.6	1.7	2.2	1.7	277.4	330.6	306.8	278.7	299.8

Information.

China continues to foster neo-mercantilist policies that support cyber theft of American trade secrets, particularly those that threaten to undercut the ability of the United States' economic influence to continue to grow within the region.⁵¹ Additionally, China continues to restrict the media and cyberspace access domestically. This allows the Chinese government to

⁴⁸ Ibid.

⁴⁹ Country Report: China. Country Report, London: Economist Intelligence Unit, 2016;

Jane Perlez, "Rodrigo Duterte and Xi Jinping Agree to Reopen South China Sea Talks," *NY Times*, October 20, 2016;

Simon Denyer, "On Duterte's Heels, Malaysia is the Next Asian Country to Embrace China," *Washington Post*, October 31, 2016;

Joshua Berlinger, "Malaysia Reaches 'Significant' Defense Deal with China, Takes Shot at West," *CNN.com*, November 2, 2016;

Jane Onyanga-Omara, "Philippine President Duterte Announces Separation from U.S.," *USA Today*, October 20, 2016.

⁵⁰ Information for this table taken from the EIU Country Report for the United States and the European Commission Economic Forecast (2016).

⁵¹ Lieberthal, ix-x.

more completely structure and control its policies, but reduces transparency at the same time. Without transparency, the international community is limited in its ability to fact-check Chinese economic claims, and adds risk to any future forecasts.

External Factors

Nationalism/Populism.

Within China's borders, there is a different definition of nationalism that more closely aligns with their national identity. 92% of China's population is the Han ethnicity, named after the dynasty that ruled China during the third century BC, which is what most people would refer to as "Chinese."⁵² In fact, ethnicity is a central component to China's national identity, and drives much of the internal cultural clashes, but more importantly is a source of international concern as the Chinese government claims jurisdiction over ethnic Han citizens who reside and claim citizenship elsewhere.⁵³

The degree of control the government imposes on the economy and population limit the "negative" effects of globalization that Western populations rebel against. As an antonym to the United States' populist trend, China is progressively becoming more capitalistic in the implementation of its core interests. By doing so, the risk the Chinese government accepts is that the economy may grow beyond the government's ability to maintain control. On the surface, that may not seem to be a negative factor, but with a population of over 1.2 billion people the society is not ready for such a dramatic shift, with a high likelihood that the situation will be mismanaged.

⁵² "The Upper Han: The World's Rising Superpower has a Particular Vision of Ethnicity and Nationhood that has Implications at Home and Abroad," *The Economist*, November 19, 2016.

⁵³ Ibid.

Terrorism.

China will continue to work with international partners to combat terrorism from non-state actors in regions outside the first island chain. They will also continue to combat internal terrorism from Uyghur extremists in the Xinjiang region.

Summary

Both China and the United States are highly influential in the international system, permanent members of the UN Security Council, and nuclear powers with conventional forces that have substantial capabilities. The recognition by the United States of the issues on which China is and is not willing to negotiate will be critical to maintain stability in the Asia-Pacific region. China's recognition that the United States will continue to have a military presence within the first island chain and the South China Sea will support efforts toward stability in the region.

With the growing economic influence of China in the Asia-Pacific region, a head-to-head competition with the United States is likely to bifurcate the region between two hegemonic powers, to the detriment of the global economic system. However, it is clear, through their individual and focused efforts to create economic ties with states in the region, which both China and the United States recognize that a successful strategy hinges on deepening economic integration throughout the region.⁵⁴ China perceives the Asia-Pacific region within the first island chain as its "back yard," and as the second largest individual economy China envisions itself as the regional hegemon. Recognizing the importance of international organizations in creating the means to that end, China is mimicking the successes of the EU and Japan by

⁵⁴ Follet, "China and the U.S. — Destined to Cooperate;"
U.S. Department of State, "Support for New Silk Road;"
LaGroane, "CNO Greenert;"
Steven Metz, "US Military Cooperation with China is a Long Shot, but One Worth Taking," *World Politics Review*, 2016.

lobbying hard for inclusion in similar economic and security agreements and organizations. Barring that, China is willing to put forth its own capital to establishing new organizations, similar to those that originated from the Bretton Woods agreement, that provide options to partner states while reinforcing Chinese interests in the region.

The second-order effect of these organizations is that they establish China as a direct competitor to the United States, creating an imbalance in the relationship between, arguably, the two strongest major powers in the international system. The impact of this competition is that smaller neighbor states, who traditionally partner with the United States, begin to distance themselves from the United States, while brokering agreements with China instead. The Philippines and Malaysia are examples of this trend.⁵⁵

China's progress is not expected to be hampered by the same external forces that the United States and Europe are experiencing with nationalism/populism. Even though terrorism is transnational, China's relative exposure is not as open as the "Western civilizations," but they are expected to continue supporting international efforts to counter global terrorism. Without these distractions, their progress toward economic and security growth will also continue.

⁵⁵ Perlez, "Rodrigo Duterte and Xi Jinping;"
Denyer, "On Duterte's Heels;"
Onyanga-Omara, "Philippine President Duterte Announces Separation from U.S."

Chapter 6: Sustained Stability Means Bi-Polarity in the Pacific

Conclusions

This study postulated a framework whereby an application of mutual security and mutual affluence can create and sustain stability between nations of similar size and influence. Japan and the European Union are historical examples wherein the instruments of national power (DIME-FIL) were practically applied following significant political and economic restructuring, and created sustained stability with the United States. The existence of parity with respect to security or affluence is not required, however creating a net positive balance that exceeds the negative influence of applicable external factors is vital to establishing and maintaining stability. Returning to figure 2 (copied below), stability does not negate the existence of conflict between nations, and conflict may involve violent and non-violent means without escalating beyond the threshold of war.

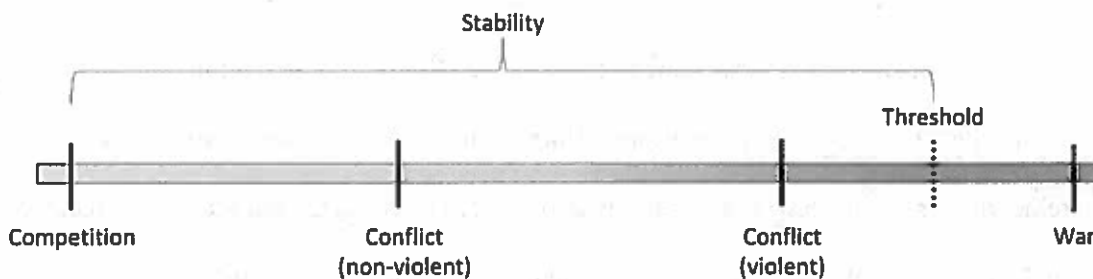


Figure 7: Sustained Stability with Respect to the Threshold of War

After WWII, the United States became the most powerful and influential democracy in the international system, and used its influence to balance against the Soviet Union. In the period leading up to the fall of the Soviet Union, the two security agreements the United States established, one with Japan and one with Europe via NATO, created a state of mutual security by allowing those individual nations to reinvest domestically without allocating large budgets to defense. These mutual security relationships, with Japan to the West and Europe to the East,

enabled the United States to forward position military forces for global power projection, demonstrated its mutual interest in their regions, and provided venues to gain advanced notice for defense of the homeland. From Japan and Europe's perspective, they gained advanced technology, intelligence sharing, and technological interoperability to reinforce their collective security goals. Under mutual affluence, the cooperation that started with the Marshall Plan directly led to the establishment of the EU, which is now an international actor that enjoys a status that is economically on par with the United States. Japan continued to advance the key tenets of the government that the United States established, and through fully embracing the principles of globalization became the third largest individual economy in the world. Through the trade mutually beneficial agreements with Japan, the United States is able to balance against Chinese influence and maintain its political and economic engagement in the region.

Mutual Security

Just as Europe's and Japan's strength began from the post-WWII devastation, China was similarly affected, but slower to recover due to the civil war that did not end until 1950. The stark difference between the three restructuring efforts is the absence of the United States in the Chinese reincarnation. Whereas Europe and Japan partnered with the United States as a security exporter and embraced globalization, China became more insular under the communist regime. In the years following the death of Mao Zedong, the Chinese government began to be more involved in the international system, joining with the UN and participating in combined actions against terrorism. Fueled by a growing economy, the military strength of the Chinese security forces overshadows most other states in the region. China's design is to establish itself as a regional hegemon in the Asia-Pacific region, overshadowing the United States in the region. The stark difference in political ideologies between the United States and China versus the shared

embrace of democracy in Europe and Japan, created a security imbalance that continues to hinder progress toward sustained stability today.

Mutual Affluence

Largely due to the communist ideology, China's economic growth in the post-WWII era stagnated as compared to Europe and Japan. In the last two generations, though, China implemented the lessons observed from Europe and Japan, embraced globalization, and deregulated much of its industry to support global competition. In that regard, China is a major actor in the global economy and a desirable economic partner for many of its neighboring states, some of which were historically aligned with the United States. As China continues to amass resources toward the goal of becoming the Asia-Pacific hegemon, multi-lateral partnerships will become increasingly important. Muti-national trade agreements, such as what the TPP and RCEP proposed, are likely to propel states into greater spheres of influence in the future international system.

External Factors

China is similar to Japan in that nationalism/populism is not expected to take hold in those states, at least not to the same degree as in Europe and the United States. However, with the proclivity of nationalist sentiment throughout the world, the likelihood of ASEAN creating an economic union the likes of the EU in the near term is low. However, it is not far-fetched to perceive an ASEAN Union of the future that aligns economically through regional free trade. With the TPP disestablished, the RCEP has the potential to initiate cooperation and interdependence across states that historically clashed. Where China would incur risks is with Russia; a strong China, militarily and economically, pressures Russia. This pressure may also be

an opportunity for more substantial diplomatic and economic efforts between Russia and the United States, as a balance against China.

As China and the United States continue to achieve their national objectives, they will also be confronted by terrorism, which is expected to continue to negatively impact the security and affluence in regions where disenfranchised populations can be most easily exploited. The terrorist's ability to cause disruption across international borders will impact the perception of the state's ability to provide security for its population, infrastructure, and economic base. As the terror attacks of 9/11 illustrate, major superpowers such as the United States and China are not immune to this potential. And as the resulting coalition against terrorism illustrates, as destructive as terrorist attacks may be, they also enhance the solidarity of the international community to oppose them. The United States is perceived as the global anti-terrorism power, and as China continues to find ways to increase their regional and global influence they are expected to provide more tangible resources to solve that shared issue.

Recommendations

The current security and affluence relationships between the United States and China are not balanced. The two states do not share security parity with each other, and the potential for that is low; however, the two are closer to establishing affluence parity to counter-balance the security deficiency and bring the two states into stability. The preponderance of effort to mitigate the impact of negative factors will fall to the United States since China's authoritarian government does not have to contend with destabilization from that perspective.

In order for the United States to continue to be competitive in the Pacific, it will have to accept China as a future regional hegemon, in an economic sense, and focus efforts on partnering with China vice competing head-to-head. In terms of security concerns, the United States and

China should continue to develop the partnerships that foster an understanding between the two military forces, which will preclude misunderstandings in the field as the two forces are expected to continue to operate in the same environments. Abdicating control within the first island chain and South China Sea to the Chinese is not in the interests of the United States, nor its partner nations in the region. Countering trans-national terrorism and criminal organizations is expected to be the one area where United States and Chinese security interests align. Nurturing that very specific security partnership, along with other international partners, will further support mutual understanding and be a path by which China can assert its responsibility as a global power.

It is clear that the United States and China view international partnerships and bi/multi-lateral trade agreements as beneficial efforts towards their economic interests. When China initiates the notion of an ASEAN Union, the United States should support that effort. The United States should also go one step further by proposing the establishment of a Free Trade Area of the Asia-Pacific (FTAAP) with the ASEAN Union. There is no peaceful path where the United States is able to prevent the eventual growth of China, and the sooner both states align economically, the sooner and more likely are the opportunities for sustained stability.

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