

DISTRIBUTION A. Approved for public release: distribution unlimited.

IMPENDING BIPOLARITY?  
WHO'S WITH US?

BY  
JEFF J. MRAZIK

A THESIS PRESENTED TO THE FACULTY OF  
THE SCHOOL OF ADVANCED AIR AND SPACE STUDIES  
FOR COMPLETION OF GRADUATION REQUIREMENTS

SCHOOL OF ADVANCED AIR AND SPACE STUDIES  
AIR UNIVERSITY  
MAXWELL AIR FORCE BASE, ALABAMA  
MAY 2014

## Report Documentation Page

*Form Approved*  
*OMB No. 0704-0188*

Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

1. REPORT DATE <b>MAY 2014</b>	2. REPORT TYPE	3. DATES COVERED <b>00-00-2014 to 00-00-2014</b>	
4. TITLE AND SUBTITLE <b>Impending Bipolarity: Who's With Us?</b>		5a. CONTRACT NUMBER	
		5b. GRANT NUMBER	
		5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)		5d. PROJECT NUMBER	
		5e. TASK NUMBER	
		5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>School of Advanced Air And Space Studies,,Air University,,Maxwell Air Force Base,,AL</b>		8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)		10. SPONSOR/MONITOR'S ACRONYM(S)	
		11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>			
13. SUPPLEMENTARY NOTES			
14. ABSTRACT <b>This study explores hegemonic transition from the point of view of Brazil, Russia and India. Using Power Transition and Hegemonic Stability Theories, it assumes that international system will rather peacefully transition to a new bipolarity between the United States and China. It examines each nation in turn from economic, military, and diplomatic power perspectives and their bilateral relations with the U.S. and China. It then predicts the implications of this new bipolarity. The greatest implication is their net effect on the perpetuation of the current international system. They will reinforce extant norms and institutions if given power and influence commensurate with their rising selfperceptions. Conversely, they will weaken the system if their newfound power goes unrecognized. It finds that America must leverage its own power to partner with the rising powers, enabling their rise within this system.</b>			
15. SUBJECT TERMS			
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>	<b>Same as Report (SAR)</b>
			18. NUMBER OF PAGES <b>151</b>
			19a. NAME OF RESPONSIBLE PERSON

## APPROVAL

The undersigned certify that this thesis meets master's-level standards of research, argumentation, and expression.

---

MARK O. YEISLEY (Date)

---

JAMES D. KIRAS (Date)



## DISCLAIMER

The conclusions and opinions expressed in this document are those of the author. They do not reflect the official position of the U.S. Government, Department of Defense, the United States Air Force, or Air University.



## ABOUT THE AUTHOR

Major Jeff Mrazik earned his commission in 1999 from the United States Air Force Academy, where he earned a B.S. in Western European Area Studies. Major Mrazik holds an MA in Diplomacy from Norwich University, Vermont, and an MA in Defence Studies from King's College London, United Kingdom. He served in several operational assignments worldwide and on multiple combat deployments flying mobility aircraft.



## ACKNOWLEDGEMENTS

I would like to acknowledge those who contributed to this thesis. I owe gratitude to the School of Advanced Air and Space Studies which provided me the opportunity to undertake this work. The instructors, staff, and my fellow students represent the highest ideals of both academic rigor and military professionalism. I especially offer thanks to my thesis advisor, Dr. Mark Yeisley, Colonel, USAF, and reader, Dr. James Kiras. Their support, questions, and suggestions proved instrumental to the completion of this work. Most importantly, I want to express my greatest appreciation to my family for their unwavering support and to God for making all good things possible.



## ABSTRACT

This study explores hegemonic transition from the point of view of Brazil, Russia, and India. Using Power Transition and Hegemonic Stability Theories, it assumes that international system will rather peacefully transition to a new bipolarity between the United States and China. It examines each nation in turn from economic, military, and diplomatic power perspectives and their bilateral relations with the U.S. and China. It then predicts the implications of this new bipolarity. The greatest implication is their net effect on the perpetuation of the current international system. They will reinforce extant norms and institutions if given power and influence commensurate with their rising self-perceptions. Conversely, they will weaken the system if their newfound power goes unrecognized. It finds that America must leverage its own power to partner with the rising powers, enabling their rise within this system.



## CONTENTS

	Page
DISCLAIMER.....	iii
ABOUT THE AUTHOR.....	iv
ACKNOWLEDGEMENTS.....	v
ABSTRACT.....	vi
CHAPTER 1: INTRODUCTION.....	1
CHAPTER 2: A RETURN TO BIPOLARITY.....	5
CHAPTER 3: RUSSIA.....	25
CHAPTER 4: BRAZIL.....	53
CHAPTER 5: INDIA.....	81
CHAPTER 6: PUTTING THE PUZZLE TOGETHER.....	113
CHAPTER 7: CONCLUSION.....	124
BIBLIOGRAPHY.....	136
ILLUSTRATIONS	
Figure 1. Example Scale.....	24
Figure 2. Russia -- Economics.....	50
Figure 3. Russia -- Military.....	51
Figure 4. Russia -- Diplomacy.....	52
Figure 5. Brazil -- Economics.....	78
Figure 6. Brazil -- Military.....	79
Figure 7. Brazil -- Diplomacy.....	80
Figure 8. India -- Economics.....	110
Figure 9. India -- Military.....	111
Figure 10. India -- Diplomacy.....	112
APPENDIX.....	132
Figure 11. Gross Domestic Product Economy Ranking 2012.....	132

Figure 12. Gross Domestic Product.....133  
Figure 13. Military Expenditure.....134  
Figure 14. Military Expenditure, Percentage Share of GDP.....135



## Chapter 1

### Introduction

*These parvenus had no share in the creation of the international order, and the dominant nation and its supporters are not usually willing to grant the newcomers more than a small part of the advantages they receive.*

- A.F.K. Organski

Hegemonic transition is often viewed as a duel between a hegemon and its would-be replacement, and that America's hegemonic moment is purportedly waning in the face of a rapidly rising China. Hegemonic war may thus ensue to settle the order of the international system...or it may not. Much of this depends on the extent to which the contender desires to reshape the system. A more stable transition should reduce uncertainty and be more peaceful. While the relationship between the two contenders is obviously most important, they exist in a wider international system. This study examines hegemonic transition from the point of view of three other rising powers. Russia, Brazil, and India will each affect the international system, but each perceives this system differently. The purpose of this study is to determine how Russia, Brazil, and India will respond to the next hegemonic transition.

This paper begins with the assumption that the world is transitioning back to bipolarity. In fact, even if the world is becoming more multipolar, it will likely transition through bipolarity first. The U.S. and China currently make up approximately a third of the world's economy (see Appendix). Their already huge size advantage means that even moderate growth rates may expand their absolute lead. In the coming decade or two, China's economy will be larger than America's. Other measures of national power, however, including military and diplomatic, are also essential to understanding the character of the transition.

Both A.F.K. Organski and Robert Gilpin presented theories that help us to understand this phenomenon. Organski's Power Transition Theory explores how the fluctuation of relative power in the international system often leads to destructive Great Power wars. Robert Gilpin also provides a framework "for thinking about the problem of

war and change in world politics.”<sup>1</sup> Neither, however, declared that hegemonic war is inevitable. The assumption that the U.S. and China will reach bipolarity without hegemonic war is central to this study. Chapter 2 explores this transition in more detail and lays out a methodology for studying the other rising powers, notably Brazil, Russia, and India.

In January 2006, Andrew Hurrell introduced an examination of the BRIC countries, Brazil, Russia, India, and China, in *International Affairs*.<sup>2</sup> He began, “In an international system dominated by the United States it is hardly surprising that the actual and potential behavior of important second-tier states should be a source of recurring interest.”<sup>3</sup> This study will update the 2006 context and then proceed a step further to explore possible future U.S. actions. Further, this study covers each state in additional detail to build a more nuanced picture of their great power potential and aspirations.

Several rationales support choosing Brazil, Russia, and India. All three are currently among the top ten largest economies (see Appendix). All have recently expanded, or improved, their military power commensurate to their economic growth. Each is regionally significant and has the potential, sometimes demonstrated, to affect affairs in their near abroad. All are also internationally significant or seeking to expand their influence on the world stage. Hurrell pointed out, “they have all historically espoused conceptions of international order that challenged those of the liberal developed West from the (at least rhetorical) revolutionism of the Soviet Union and China to the hard-revisionist Third Worldism of post-1948 India and the soft-revisionist Third Worldism of Brazil from the early 1970s to the late 1980s.”<sup>4</sup> The group, however, has also risen in the current international system. Chapters 3, 4, and 5 explore Russia, Brazil, and India in detail to determine the relative significance of each of these factors.

Each of these chapters then explores the implications of these characteristics in a new bipolarity. Brazil, Russia, and India may move closer to the American or the Chinese sphere of influence. In the economic realm, this is especially true. Where security is

---

<sup>1</sup> Robert Gilpin, *War and Change in World Politics* (Cambridge; New York: Cambridge University Press, 1981), 2.

<sup>2</sup> Andrew Hurrell, “Hegemony, Liberalism and Global Order: What Space for Would-Be Great Powers?,” *International Affairs (Royal Institute of International Affairs 1944-)* 82, no. 1 (January 1, 2006): 1.

<sup>3</sup> Hurrell, “Hegemony, Liberalism and Global Order,” 1.

<sup>4</sup> Hurrell, “Hegemony, Liberalism and Global Order,” 3.

involved, however, each may have to make a sharper choice in a system becoming increasingly bipolar. Moving toward the U.S. sphere will likely strengthen the current international system. Conversely, moving to the Chinese sphere will likely weaken it. Brazil, Russia, and India will then each affect the international norms, rules, and standards of behavior amongst states that make up the international system. They will either reinforce the operation of the system through their actions and interactions or become revisionists, attempting to change the system. They will do this unevenly across several interest and policy areas, but will have a net effect on the operation of the system. Chapter 6 explores these net effects and implications of bipolarity.

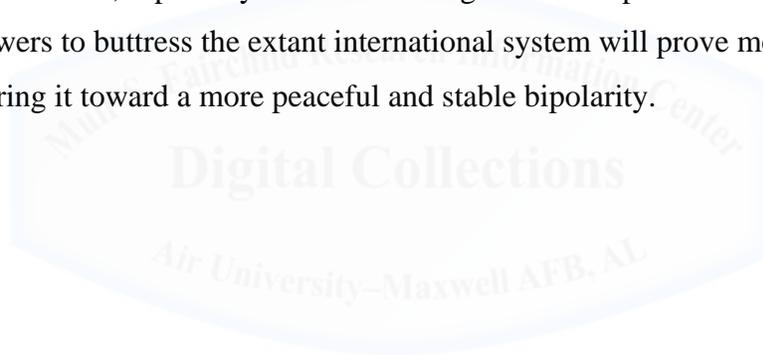
Finally, Chapter 7 approaches the transition from an American point of view. It does not attempt to advocate specific policy choices, but more general policy directions and concerns. Assuming that America wants to reinforce and perpetuate the international system it built, this chapter explores how to best leverage bilateral relationships with each. It assumes that reinforcing the norms of this system will help maintain U.S. influence and shape China's own peaceful rise, hence providing a more stable transition to bipolarity.

This study finds that each state will take its own path to fulfill its aforementioned desire to expand its influence in the international system, avoiding cooption into either the American or Chinese spheres. Brazil and India both have much in common with the U.S. as large democracies and market-based economies. Both will continue to gain from the integration of the global economy and grow in importance, but reforms are necessary to sustain development. India's security concerns in the Indo-Pacific are often closely aligned with America's. Expanding militaries offer opportunities for cooperation with both. America, however, must gain or regain their trust after decades of strained relations. Russia on the other hand is a developed nation that will deftly exploit the international system to further its own interests. Recent events in Ukraine remain unresolved, but point to a revisionist future. Avoiding the perpetuation of Russia's Cold War ethos will best serve America. Being a great power has never been solely about the possession of large amounts of crude material power, however.

Great Power status also involves legitimacy and authority. Rising powers seek both, especially regionally. America must partner with these states when possible to

encourage productive contributions to the international system. This will help to better align their expectations and actual influence in the system. Burden sharing can also benefit America as it looks to expend less effort managing the international system. Better aligning expectations and realities among the Great Powers will also help to reduce uncertainty in the system, enhancing stability. It is important to remember that China also rose in the current system and will likely continue to do so. Stability, especially in congested Asia, will benefit both the United States and China. The rising powers will play major roles in determining the shape, and therefore stability, of the international system.

The United States therefore cannot myopically focus on China, but instead needs to consider wider implications of its bilateral and multilateral relations with rising powers. In a more bipolar world, American exceptionalism will be more counterproductive, especially when interacting with these powers. Partnering with the rising powers to buttress the extant international system will prove more effective for maneuvering it toward a more peaceful and stable bipolarity.



## Chapter 2

### A Return to Bipolarity

*Right, as the world goes, is only in question between equals in power...<sup>1</sup>*

-Thucydides

There are already myriad interpretations of the U.S.-Chinese great-power relationship, and this paper does not aim to create another new one. Rather, it aims to examine the other great powers in the likely context of this relationship. This chapter will therefore establish a likely short-term future for the international system without dwelling on the intricacies of U.S.-Chinese relations, though it will touch on some. According to a number of measures and theories that the U.S. and China, barring catastrophe, will return the world to a perceived bipolarity.

This chapter will outline the theories, geopolitical assumptions, and the model that underlies this study. It will examine the return to a bipolar world system from a theoretical and practical perspective. Hegemonic transition, so vital to the international system, has many worthwhile theoretical interpretations. This paper will look to Power Transition and Hegemonic Stability Theories to highlight some widely-subscribed ideas. From a more specific U.S.-Chinese context, it will also briefly explore the analyses of theorists, pundits, and experts (real and self-proclaimed) that regularly apply these and other theories. A general summation of these models and futures will serve as the basis for analysis of great power interactions. These assumptions on the shape of a new bipolarity are below. Finally, this chapter presents the analytical method used to examine Brazilian, Russian, and Indian reactions in the following chapters.

---

<sup>1</sup> Thucydides, Robert B Strassler, and Crawley, *The Landmark Thucydides: A Comprehensive Guide to the Peloponnesian War* (New York: Simon & Schuster, 1998), 352.

## Assumptions

Main Assumption: The U.S. and China will continue to grow based on long-term trends and be the two dominant players amongst nations in the international system.

Supporting Assumptions:

1. China's economy will reach GDP parity with the U.S. in the next decade, but remain well behind in other per capita measures.
2. China's military will continue to modernize, focusing on its ability to influence its near abroad, while the U.S. will continue to act globally.
3. The U.S.-China relationship may be tense at times, and even punctuated by crisis, but they will not commit to major war with each other.<sup>2</sup>

## Theory

In a world of thermonuclear-armed states, hegemonic transition is a life-or-death problem for much of world's population. It duly receives a correspondingly large amount of attention from international relation theorists. Their theories provide multiple lenses to enhance our understanding of any future U.S.-Chinese transition. While nothing is truly beyond the realm of possibility, it is more useful to view the coming transition through some lenses than others. Bearing in mind the limited scope of this work, two of the most useful theories are Power Transition and Hegemonic Stability Theories.

Power Transition Theory and Hegemonic Stability Theory are useful foci because they highlight some of the key aspects of transition explored in this paper. Power Transition Theory is useful because at the heart of the work is "the close complex connection [that] exists between war and power."<sup>3</sup> It posits that "shifts in the international distribution of power are often belied to create the conditions likely to lead to at least the most important wars, and power is the most important determinant of whether a war is

---

<sup>2</sup> This is not to say that war is an impossibility. This paper, however, seeks to illuminate the great power relations prior to any such catastrophic event.

<sup>3</sup> Organski, *The War Ledger*, 4.

won or lost.”<sup>4</sup> Obviously relevant to a discussion of the developing U.S.-China relationship, it is the characteristics of the ‘shift’ that are particularly relevant. Hegemonic Stability Theory is useful in describing the provisions of public goods in the international system, the division between power and prestige, and a similar set of conditions for transition. The two also allow for brief comparison and inclusion of other realist and neorealist ideas on the international system and transition. A full analysis of hegemonic transition across all international relations theories is obviously beyond the scope of this paper, however, which seeks only to provide an overview of near-term great power relations.

A.F.K. Organski originated Power Transition Theory in *World Politics* in 1958, spawning a multitude of related works including *The War Ledger* with Jack Kugler in 1980. Organski and Kugler advanced the idea that power and development come together in order to increase the pool of capabilities available to the each country’s elites. The elites then use this power in their relationships with other nations. They focus their thesis on growth, as “the manner and the speed of growth of national development change the pools of resources available to nations and that such changes create the conditions in which international conflicts occur.”<sup>5</sup> Times will be peaceful when the power disparity between the leading nation and the next nation or nations is large, but less so as this disparity shrinks.<sup>6</sup>

This paper focuses on this period where the disparity will decrease to the point of re-declaring bipolarity in the international system, an especially dangerous era according to Organski and Kugler. They advocate that in this period:

The challenger has finally caught up with the dominant country and passage is a reality, and the elites on both sides view the shifts in power as threatening. The model insists that it is an attempt to hasten this passage that leads the faster growing nation to attack. At the same time it is a desperate attempt on the part of the still-dominant nation to intercept the challenger’s progress that leads to war. Moreover, the passage may not be quick—it may take several decades—and the period may thus be punctuated by a series of armed conflicts.<sup>7</sup>

---

<sup>4</sup> Organski, *The War Ledger*, 5.

<sup>5</sup> Organski, *The War Ledger*, 8.

<sup>6</sup> Organski, *The War Ledger*, 25.

<sup>7</sup> Organski, *The War Ledger*, 28.

They posit that these armed conflicts will almost invariably result in the challenger eventually winning the contest.<sup>8</sup> It is essential to consider, however, that “wars only occur when a *dissatisfied* great power catches up with the dominant nation.”<sup>9</sup> But, when can we determine that a nation has caught up?

Differing measurements of national power are essential to different perceptions of great power relationships in the international system—and hence uncertainty reigns. Organski and Kugler acknowledge this in that “the measures of national capabilities based on hard data from national accounts distort reality in the same way as do intuitive procedures.”<sup>10</sup> Therefore, “time series of socioeconomic data provide very uncertain footing for the researcher interested in indexing national capabilities.”<sup>11</sup> They introduce political development to adjust these measures to determine the extent to which “elites have the tools to generate resources to be used for national purposes.”<sup>12</sup> This paper will then examine both, but only to lend credence the assumption that U.S. and China will continue to grow towards perceived parity at the top of the international system. Both will have nearly equal power according to some measures, but uncertain abilities to translate that power into effect in the economic, military, and diplomatic spheres. Further, Organski and Kugler acknowledge their contentions on power relations are not universal amongst theorists.

Organski and Kugler also specifically address their own theory’s separation from balance of power models though they cite the same phenomena. They impart, “this is the very opposite of the balance of power model,” because, “its recipe for peace is equal distribution of power between the major contesting sides.”<sup>13</sup> Two interpretations of the Cold War therefore both point to its stability. According to Power Transition Theory, Cold War stability stemmed from U.S. dominance. Balance-of-power theories often point to U.S.-Soviet bipolarity for this same effect. In his seminal *Theory of International Politics*, Kenneth Waltz heralds the benefits of bipolarity. He points out that “tension in the system is high because each can do so much for and to the other,” therefore, “the

---

<sup>8</sup> Organski, *The War Ledger*, 28.

<sup>9</sup> Organski, *The War Ledger*, 39.

<sup>10</sup> Organski, *The War Ledger*, 66.

<sup>11</sup> Organski, *The War Ledger*, 66.

<sup>12</sup> Organski, *The War Ledger*, 69.

<sup>13</sup> Organski, *The War Ledger*, 27.

pressure to moderate behavior is heavy.”<sup>14</sup> This study will later examine measures of power in the context of the U.S.-China relationship.

The Cold War’s constant fear of escalation, episodic near-war tensions, and proxy wars don’t point to a truly “peaceful” period, as posited by Waltz. Rather, the Cold War showed high tension, but also a lack of great power war between the two largest powers. Looking further back, the U.S.-Britain transition did not result in their own military contest either, but it took two German-provoked world wars to settle the rest of the great power ledger. Again, for the purposes of this study, either or both explanations are tenable since its focus is transition and how the shift affects the other great powers.

U.S. and Chinese perceptions of risk are critical to understanding why all-out war is unlikely in the short term. Kim and Morrow explored this factor of shifts more specifically in *When do Power Shifts Lead to War?*<sup>15</sup> They aim specifically at, “when rising powers strike and why declining states resist.”<sup>16</sup> They find that risk-taking rising powers are more likely to instigate conflict to establish the status quo earlier. The declining power is more likely to resist the rising power when they are more risk averse, fearing the new status quo and wanting to maintain the status quo longer.<sup>17</sup> Consequently, a greater disparity in the status quos advanced by each of the powers, the greater the chance of conflict. In instances where the norms of the international system will not change significantly, conflict will be less likely since there is little to gain to instigating conflict or refusing it. This calculation is critical to understanding any pending transition, but requires an understanding of both U.S. and Chinese visions of an international system. Further, this calculation is continuous.

Rising states will continuously decide whether it is better to challenge the declining power, or not. If so, the declining state must make a decision on whether to resist or acquiesce. At some point then, after considering its relative power and chances of winning, it will transition from pursuing resistance to acquiescing. Kim and Morrow declare this the *critical point*.<sup>18</sup> By implication, they state, “if the declining state will

---

<sup>14</sup> Kenneth N Waltz, *Theory of International Politics* (Long Grove, Ill.: Waveland Press, 2010), 74.

<sup>15</sup> Woosang Kim and James D. Morrow, “When Do Power Shifts Lead to War?,” *American Journal of Political Science* 36, no. 4 (November 1, 1992): 896–922, doi:10.2307/2111353.

<sup>16</sup> Kim and Morrow, “When Do Power Shifts Lead to War?,” 896.

<sup>17</sup> Kim and Morrow, “When Do Power Shifts Lead to War?,” 897.

<sup>18</sup> Kim and Morrow, “When Do Power Shifts Lead to War?,” 900.

resist, the rising state contests the status quo only when its utility for war exceeds its utility for waiting.”<sup>19</sup> Their study agrees that war will fix the outcome of the power relationship, but of course, that is only if it occurs.

Considering the U.S.-Chinese transition in this context, there is a strong case for China delaying a serious contest versus the U.S.. The potential for any war to escalate to the thermonuclear level also greatly affects any study of risk. China will be less likely to challenge the U.S. militarily because their risk-reward calculation must always consider this potential. Similarly, the U.S. will be less likely to attempt to limit China’s rise through military means (attacking prior to China’s power parity) because war could result in a nearly total loss on both sides. Beyond risk, Kim and Morrow also advance alternative perspective to Organski’s when considering the role of allies in power calculations.

The role of allies and alliances is central to later discussions of the Western Pacific and Asia. Where Organski and Kugler acknowledge the value of alliances, they mainly focus on the power of individual nations when considering power transition. They contend that “most of the time alliances are simply not a realistic method of preventing threatening changes in the distribution of world power.”<sup>20</sup> A Russo-American alliance could check China, but it seems highly improbable. They propose that alliances should only be considered when they could make significant impacts on the overall distribution of international power. Therefore, it is mostly in the short-term that they should be considered. Kim and Morrow advance the opposite when they “add the assistance that nations expect from their allies in the calculation of their capabilities.”<sup>21</sup> While complicating any statistical analysis, qualitatively it makes sense that staunch allies should be included in calculations. Even less staunch, but possible, or opportunistic allies, must be included in calculations, each discounted according to their likeliness to act.<sup>22</sup> In fact, if third party great powers must then also be included—this might create some additional implications for future study. For the sake of simplicity, though potential

---

<sup>19</sup> Kim and Morrow, “When Do Power Shifts Lead to War?,” 905.

<sup>20</sup> Organski, *The War Ledger*, 25.

<sup>21</sup> Kim and Morrow, “When Do Power Shifts Lead to War?,” 897.

<sup>22</sup> Kim and Morrow, “When Do Power Shifts Lead to War?,” 910.

alliances will be discussed in this study, the focus will remain on individual nations rather than blocs.

The short discussion of Power Transition above will provide context and some theoretical underpinning to our assumptions and to our analysis of great power relations in the ensuing chapters. Shifts in the international distribution of power are uncertain and potentially dangerous. The measurement of power and the pace of change are essential factors in this transition if we assume that some measures place the U.S. and China at relative parity in the near future. Further, risk and reward will be continuously calculated in this period. This paper assumes that in the short term risks will be very high on both sides while rewards do not seem to be great. At a minimum Power Transition Theory provides some intellectual underpinnings to the concept of transition and helps show that this paper's assumptions are within the scope of reason.

Hegemonic Stability Theory (HST) is relevant to this study as it also examines conceptions of power in the international system. Conceptually fathered by Charles Kindleberger and described by Robert Keohane, as "the theory of hegemonic stability," HST is concerned with the great power relations in the international system. This paper will focus on Robert Gilpin's work from his appropriately-named *War & Change in World Politics*, which set out to "develop an understanding of international political change more systemic than the understanding that currently exists."<sup>23</sup> It highlights conceptions of power versus prestige, the role of the hegemon, and suggests great power behavior during transition.

Fundamentally, Gilpin relies on realist principles as the basis for his work. He starts with the assumption that "the fundamental nature of international relations has not changed over the millennia...a recurring struggle for wealth and power amongst independent actors in a state of anarchy."<sup>24</sup> It is also a social theory. These actors "enter social relations and create social structures in order to advance particular sets of political, economic, or other type of interests."<sup>25</sup> Of particular interest are the actors at the top of this social structure, also the focus of this study.

---

<sup>23</sup> Gilpin, *War and Change in World Politics*, 2.

<sup>24</sup> Gilpin, *War and Change in World Politics*, 7.

<sup>25</sup> Gilpin, *War and Change in World Politics*, 9.

Although each actor in the international social system acts autonomously, the norms of the system are essential in considering benefits. Although all restraints act upon all actors in the system, “the behaviors rewarded and punished by the system will coincide, at least initially, with the interests of the most powerful members of the social system.”<sup>26</sup> In his *Framework for Understanding International Political Change*, Gilpin lays out a set of assumptions regarding the behavior of states. Most importantly for our study, and mirroring Power Transition Theory, each actor will “attempt to change the international system if the expected benefits exceed the expected costs.”<sup>27</sup> Further, he posits that a “state will seek to change the international system through territorial, political, and economic expansion until the marginal costs of further change are equal to or greater than the marginal benefits.”<sup>28</sup> This study then must consider the potential perceptions of costs and benefits for a rising China in challenging the status quo.

Also central to this study is a declining U.S. juxtaposed with a rising China. As the dominant power, the U.S. will bear the majority of the costs in maintaining a beneficial international system. Gilpin posits, “once an equilibrium between the costs and benefits of expansion is reached, the tendency is for the costs of maintaining the status quo to rise faster than the capacity to finance the status quo.”<sup>29</sup> Rebuilding the world economy after World War Two, promoting free trade, supporting friendly state governments, and prosecuting a global containment of terrorism all cost the U.S. while providing benefits to non-contributors. This study will allude to how China and the other great powers benefit from this arrangement and may consider it in their foreign policy decisions.

Considering that each of these foreign policy decisions will be based upon aforementioned realist assumptions, power and prestige are essential concepts. According to Gilpin, though states exist under anarchy, they actually display a high degree of order based upon their social arrangement.<sup>30</sup> He describes that in this social arrangement “in every international system the dominant powers in the international hierarchy of power and prestige organize and control the processes of interaction among the elements of the

---

<sup>26</sup> Gilpin, *War and Change in World Politics*, 9.

<sup>27</sup> Gilpin, *War and Change in World Politics*, 10.

<sup>28</sup> Gilpin, *War and Change in World Politics*, 10.

<sup>29</sup> Gilpin, *War and Change in World Politics*, 157.

<sup>30</sup> Gilpin, *War and Change in World Politics*, 28.

system.”<sup>31</sup> His concept of power is less focused on specific measurement than Organski. It is “simply...the military, economic, and technological capabilities of states.”<sup>32</sup> Additionally, however, he includes prestige, or “the reputation for power, and military power in particular.”<sup>33</sup> He continues that it “involves the credibility of a state’s power and its willingness to deter or compel other states in order to achieve its objectives.”<sup>34</sup> Prestige is therefore essential to the organization of the system because it affects the bargaining between states, all knowing the failure of political resolution may force a military settlement of an issue. A diplomatic decision may therefore reinforce the perceptions of power for the states involved, and conflict may ensue if its level of prestige is below its actual power.

Gilpin also specifically considers the two major social arrangements of power in the system discussed at length in this paper: hegemony and bipolarity. In hegemony, “a single powerful state controls or dominates the lesser states in the system,” while in bipolarity, “two powerful states control and regulate interactions within and between their respective spheres of influence.”<sup>35</sup> The hegemon will expend economic, military, and diplomatic power to prop up the entire system. It is legitimate because it is most powerful, as proved by the last hegemonic war, provides global public goods, and may represent commonly accepted ideological values.<sup>36</sup> As previously mentioned, however, it will have to make decisions post-equilibrium on how it can best spend diminishing returns. In bipolarity, each side will support its own sphere. Furthering the debate as to whether bipolarity is stable or not, Gilpin declared that its manifestations tend to be “unstable and relatively short lived.”<sup>37</sup> This may actually provide more impetus for studying this period in detail as the implications will be so significant.

Our subject states, at the crux of this study, will be forced to navigate this transition. Each will seek to maximize their own power and prestige in the system, and make their own risk calculations. Atlantic-facing Brazil, for example, will surely perceive a Chinese aircraft carrier differently than nearby Russia or India. If China’s rise continues

---

<sup>31</sup> Gilpin, *War and Change in World Politics*, 29.

<sup>32</sup> Gilpin, *War and Change in World Politics*, 13.

<sup>33</sup> Gilpin, *War and Change in World Politics*, 31.

<sup>34</sup> Gilpin, *War and Change in World Politics*, 31.

<sup>35</sup> Gilpin, *War and Change in World Politics*, 29.

<sup>36</sup> Gilpin, *War and Change in World Politics*, 34.

<sup>37</sup> Gilpin, *War and Change in World Politics*, 29.

roughly within the norms of the American system, there may be little incentive for any state to attempt to change the status quo. Next then, this study must set the stage for these great power decisions by attempting to understand the character of a new bipolarity.

### **What's really happening?**

Having considered that a peaceful return to bipolarity is feasible according to current international relations theories, this paper will now establish the likely conditions which may predominate under new bipolarity. The U.S. and China will first be evaluated for the economic, diplomatic, and military characteristics realities that represent progress toward this end. Objective data and indicators will be presented where appropriate and when available, but only to lend credence to any assumptions. While *The World Bank Databank* of development indicators alone provides more than a thousand indicators for more detailed analysis, they are mostly beyond the scope of this paper. Rather, general trends that will likely affect the other great powers will be the focus. Naturally, many will directly impact the U.S.-Chinese relationship, and those will be explored to highlight specific points. These developed assumptions will serve as the basis for analyzing the Brazil, Russia, and India cases.

Economics are at the heart of China's rise thus far and we will address it first. Using the broadest brush possible, great power growth, currencies, and economic policies show that China will likely reach economic parity prior to military and diplomatic equivalence. It is likely, however, that they will look to translate some of this economic growth into military power and use this prestige to diplomatic ends. The U.S. will look for ways to maintain or conserve its power, and will attempt to shape China's rise into its most acceptable form. In discussing any trend considering power or prestige, though, it is worth examining the debate on the role of absolute and relative measures in the international system.

An exchange of correspondence between Michael Beckley and Joshua Itzkowitz in *International Security* is illustrative of these absolute and relative concerns. In *China's Century?*, Beckley questions those who point to U.S. declinism when examining its relationship with China and the world order. He specifically points that those who "favor

the declinist perspective because most standard indicators of national power—for example, gross domestic product (GDP), population, and energy consumption—conflate size with power and thereby overstate the capabilities of large but underdeveloped countries.”<sup>38</sup> Further, “this focus on growth rates, however, obscures China’s decline relative to the United States in all of these categories. China’s growth rates are high because its starting point was low.”<sup>39</sup> He concludes that, “China is rising, but it is not catching up.”<sup>40</sup>

Itzkowitz, a proponent of judging ratios, responds that judging the ratios is a better measure which drives nearer the opposite conclusion. He posits that “instead, decline is better defined in terms of the relative distribution of economic and military capabilities between two great powers: decline occurs when one state’s economic and military capabilities increase at a faster rate than the other’s, such that the ratio of capabilities between the two falls.”<sup>41</sup> This is because, “the policy discussion centers on whether China’s growth is making it relatively harder for the United States to pursue its interests without other states opposing its actions—not whether the United States is losing out to China in absolute terms.”<sup>42</sup>

Beckley, defending his position, explains that merely judging capability ratios and their rates of change obscures the true nature of the relationship. He deems it more useful to consider these ratios in the context of actual capabilities.<sup>43</sup> He “shows that the substantive importance of a change in ratios depends on the size of the ratios themselves.”<sup>44</sup>

From 1991 to 2010, the gap in defense spending (excluding U.S. spending in Iraq and Afghanistan) increased by \$147 billion, which is \$26 billion more than China’s entire 2010 military budget; the gap in per capita incomes in real terms widened by \$19,000, which is 4.5 times the average Chinese income; the gap in high-technology output grew by \$2.8 trillion, roughly double China’s

---

<sup>38</sup> Michael Beckley, “China’s Century?,” *International Security* 36, no. 3 (Winter 2011): 43.

<sup>39</sup> Beckley, “China’s Century?,” 44.

<sup>40</sup> Beckley, “China’s Century?,” 44.

<sup>41</sup> Joshua R. Itzkowitz Shiffrin, “Debating China’s Rise and U.S. Decline,” *International Security* 37, no. 3 (Winter 2012): 173.

<sup>42</sup> Itzkowitz Shiffrin, “Debating China’s Rise and U.S. Decline,” 183.

<sup>43</sup> Michael Beckley, “Debating China’s Rise and U.S. Decline,” *International Security* 37, no. 3 (Winter 2012): 178.

<sup>44</sup> Beckley, “Debating China’s Rise and U.S. Decline,” 178.

total high-tech output; and the gap in gross domestic product in real terms expanded by \$3.1 trillion, equivalent to half of China's total GDP.

While the ratio-versus-absolute comparisons are important for measuring power, it is their policy implications which are more important to great power relationships. These policy implications will largely be based on the calculated perceptions of the prestige afforded by these measures.

## Economics

Contrary to popular opinion, in 2014 the U.S. is still the world's largest and most important economy. As early as a 2011 Pew Research poll, 47 percent of Americans believed that China was the world's leading economic power compared to only 31 percent believing it remained the U.S..<sup>45</sup> This may be forgivable considering the recent trends and the amount of press allotted to covering the Chinese dynamo, but trends only point to a likely future. In the 1989-version of the same poll, Americans believed Japan to be the leader by a two-to-one margin.<sup>46</sup> While these economic numbers fluctuate, there is little doubt, however, that the United States is the leading military power. Examining additional categories paints a more complete picture. Further, the purpose of this paper is to identify how others perceive this relationship. Therefore, this paper will first look at objective measures and trends and then identify a range of opinions before making any assumptions.

It is therefore best to begin by briefly examining this relationship's development via objective measures. Even objective measures, however, require interpretation. Simply choosing Gross Domestic Product (GDP) as the sole measure of a great power transition will not show a complete picture. As Organski, Gilpin, and many others described, additional measures of power show a more complete story.

The United States still has the world's largest economy, but it is growing at a much slower rate than China's. According to 2012 World Bank figures, U.S. GDP was

---

<sup>45</sup> Pew Research Center, "Strengthen Ties with China, But Get Tough on Trade," *Pew Research Center*, accessed December 14, 2013, <http://www.pewresearch.org/2011/01/12/strengthen-ties-with-china-but-get-tough-on-trade/>.

<sup>46</sup> Pew Research Center, "Strengthen Ties with China, But Get Tough on Trade."

\$15.68 trillion compared to \$8.36 trillion for China, which rounds closer to half.<sup>47</sup> GDP per capita, however, is much more different as it spread over 1.35 billion people compared to 313.9 million. In current U.S. dollars, Americans are well in front at \$49,965 versus \$6,188.<sup>48</sup> It is growth, however, that is piquing the world's interest.

In *A Contest for Supremacy* Princeton International Affairs Professor Aaron Friedberg identified two major dates in China's modern economic story. After a century as an essentially failed state, on 1 October 1949, Mao Zedong established the current People's Republic. Rebuilding from Japanese occupation and civil war with the Nationalist Chinese, China achieved an average annual growth rates of more than 4 percent from 1952 to 1978, though most of world outpaced it.<sup>49</sup> Friedberg cites December 18, 1978, the opening day of the Third Plenum of the Eleventh Communist Party Central Committee, as the beginning of Chinese economic reform. Chinese growth exploded over the ensuing decades, doubling in size every eight years.<sup>50</sup> Ranking sixth by the turn of the century, its GDP passed Japan in 2010 (though some measures say as early as 2008).<sup>51</sup> Over the same decade as China's surge to second, the U.S. economy slowed along with the rest of the world, having multiple global economic effects.

One of the major features of U.S. economic hegemony threatened by the global financial crisis in 2008-2009 has been its use as the world's reserve currency. As the world's most important currency, the dollar is both liquid and deep. There are plenty of dollars in circulation and plenty of securities and assets valued in dollars. This means that it stable, easily traded, and a good store of value. The financial crisis coupled to the U.S. Congress's sclerotic debt management, however, made some look for another option. Euros, pounds sterling (UK), and yen (Japan) are the next three currencies which also fill this role, but none is much healthier than the dollar.<sup>52</sup> This helps to keep interest rates low for Americans and gives U.S. policymakers and bankers some advantages in the world

---

<sup>47</sup> "China | Data," accessed December 14, 2013, <http://data.worldbank.org/country/china>; "United States | Data," accessed December 14, 2013, <http://data.worldbank.org/country/united-states>.

<sup>48</sup> "The World Bank DataBank - Create Widgets or Advanced Reports and Share," accessed December 14, 2013, <http://databank.worldbank.org/data/views/reports/tableview.aspx#>.

<sup>49</sup> Aaron L. Friedberg, *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia*, 1st ed (New York: W. W. Norton & Co, 2011), 29.

<sup>50</sup> Friedberg, *A Contest for Supremacy*, 32.

<sup>51</sup> "The World Bank DataBank - Create Widgets or Advanced Reports and Share."

<sup>52</sup> "Future Of The Dollar As World Reserve Currency," *Forbes*, accessed December 14, 2013, <http://www.forbes.com/sites/billconerly/2013/10/25/future-of-the-dollar-as-world-reserve-currency/>.

economy. China, however, passing Britain and Japan, is also pushing the yuan (or renminbi) to this end.

While the yuan is making gains in international markets, many also point to reasons why China will not want its use to advance too quickly. Further, many advance reasons why foreigners will resist a quick change as well. Since China began internationalizing the yuan, it has made rapid increases, especially in Asia. Between the first half of 2010 and first half of 2011, international trading denominated in yuan increased thirteen-fold.<sup>53</sup> The main advantages for China would include expansion of its macroeconomic flexibility, increased competitive advantage for business, reduced risk, and enhanced domestic purchasing power.<sup>54</sup> Both U.S. Congressional and European Central Bank reports state the possibility of a major challenge to the dollar within the next few years.<sup>55</sup> According to many experts, however, China will more likely be content alongside the other secondary currencies.

Though arguments can be economically complex, there is little certainty that China actually wants to be the top currency, or that foreigners will support it. In *Foreign Affairs*, Sebastian Mallaby and Olin Wethington argue that “China’s uncertain effort to internationalize its currency has exposed the profound struggles that lie behind the country’s larger push to transform its economic model.”<sup>56</sup> They point out that America outpaced Britain’s economy as early as 1872, but did not complete its transition until after World War Two. Two disadvantages include potentially hurting competitiveness and giving up control of their financial system.<sup>57</sup> Another school of thought, represented by Hyoung-kyu Chey in *Asian Review*, holds that as a political economy issue, the rise of the renminbi will be hindered by a lack of international political power.<sup>58</sup> Forbes points out a lack of concerted policy declarations which may reflect their analysis that, “currency internationalization should be the endpoint of reform, not the starting point.”<sup>59</sup>

---

<sup>53</sup> Sebastian Mallaby and Olin Wethington, “The Future of the Yuan,” *Foreign Affairs*, no. January/February (February 2012), <http://www.foreignaffairs.com/articles/136778/sebastian-mallaby-and-olin-wethington/the-future-of-the-yuan>.

<sup>54</sup> Hyoung-kyu Chey, “Can the Renminbi Rise as a Global Currency? The Political Economy of Currency Internationalization,” *Asian Survey* 53, no. 2 (April 1, 2013): 350, doi:10.1525/as.2013.53.2.348.

<sup>55</sup> Chey, “Can the Renminbi Rise as a Global Currency?,” 352.

<sup>56</sup> Mallaby and Wethington, “The Future of the Yuan.”

<sup>57</sup> Mallaby and Wethington, “The Future of the Yuan.”

<sup>58</sup> Chey, “Can the Renminbi Rise as a Global Currency?,” 348.

<sup>59</sup> “Future Of The Dollar As World Reserve Currency.”

For the purposes of this paper then, assuming bipolarity, the yuan and dollar will likely be the top two world currencies. The exact status of their transition will be less important unless the yuan massively outpaces the dollar. This would most likely occur if the U.S. entered into such a significant decline that other nations lost complete confidence in its ability to pay its debts or it no longer offered a significant number of goods and services on the world market. It would also mean that China's markets became open enough that the great powers did not fear any Chinese currency or market manipulation. Most significantly, this means that the other great powers will have the choice of using either currency, and will likely use both.

China's massive economic growth comes with risks, however, as does a U.S.-driven system. China relies on the rest of the world for energy and for purchasing its products. As Friedberg succinctly described, "like it or not, in the last thirty years China has become a maritime nation."<sup>60</sup> Further, until its domestic consumption increases, it relies on the rest of the world for investment and to purchase its products, most of which travel by sea. The U.S. must continue to support the system of relatively free trade under which its rival is excelling, an often expensive proposition.

### **Military**

While economics will certainly feature heavily in reshaping a bipolar world, its military dimension is less certain. If we consider war, as Carl Von Clausewitz proposed, "a true political instrument, a continuation of political intercourse, carried on with other means," then the military dimension cannot be abstracted from the later discussion of diplomacy, but its measures can.<sup>61</sup> Further, as economic power is convertible into military power, China's potential seems to be increasing rapidly. The point of this study is to not to point to a finite future, already the subject of countless studies, but a likely one assuming no major catastrophe.

As in economic analysis, numbers tell a significant role when considering U.S. and Chinese military power, but not the entire story. Since all military expenditures do

---

<sup>60</sup> Friedberg, *A Contest for Supremacy*, 279.

<sup>61</sup> Carl Von Clausewitz, Michael Howard, and Peter Paret, *On War* (Princeton: Princeton University Press, 2011), 87, <http://site.ebrary.com/id/10578581>.

not produce equal utility, and most militaries seek to obscure their actual power, expert analysis is often necessary. Conventional and nuclear spending and capabilities are especially troublesome because their destructive and deterrent values are so different. Further, a return to bipolarity does not necessarily mean parity in all spheres of interaction.

The Stockholm International Peace Research Institute's (SIPRI) annual survey of military expenditure provides a good baseline for discussion (See Appendix). In 2012, the U.S.'s overall military spending fell by 6 percent while China's rose by an estimated 7.8 percent, a seemingly significant differential.<sup>62</sup> In the period from 2003-2012, a seemingly even more significant differential exists between the U.S.'s 32 percent increase versus China's 175 percent.<sup>63</sup> These and similar numbers are often cited by those wishing to highlight China as a nascent or even extant threat in the Pacific.

Alternative data points provide a different story, however. According to SIPRI, while the U.S. spent \$682 billion in 2012, China spent only a quarter of that number at an estimated \$166 billion. Further, while U.S. military spending rose from 3.7 percent of GDP from 2003-2012, China's remained steadier, falling from 2.1 percent to 2.0 percent.<sup>64</sup> China's rapid expansion in military expenditure therefore roughly follows their massive rise in GDP. This differential between relative and absolute expenditure changes, coupled with qualitative measures, evokes a split in interpretations.

U.S. government sources, including the U.S. China Commission, generally strike a note of caution when describing relations in the military sphere. In its 2013 Annual Report to Congress, it concludes that, "PLA modernization is altering the security balance in the Asia Pacific, challenging decades of U.S. military preeminence in the region."<sup>65</sup> Modernization programs are not only increasing the quantity of aircraft and vessels, but increasing their quality as well. The commission judges that, "today, the PLA Navy is able to conduct high-intensity operations in China's immediate periphery as well

---

<sup>62</sup> Sam Perlo-Freeman et al., "TRENDS IN WORLD MILITARY EXPENDITURE, 2012, SIPRI Factsheet" (SIPRI, Stockholm International Peace Research Institute, April 2013), 2, <http://books.sipri.org/files/FS/SIPRIFS1304.pdf>.

<sup>63</sup> Perlo-Freeman et al., "TRENDS IN WORLD MILITARY EXPENDITURE, 2012, SIPRI Factsheet," 2.

<sup>64</sup> Perlo-Freeman et al., "TRENDS IN WORLD MILITARY EXPENDITURE, 2012, SIPRI Factsheet," 2.

<sup>65</sup> "2013 Annual Report to Congress," 17, accessed December 16, 2013, [http://www.uscc.gov/Annual\\_Reports/2013-annual-report-congress](http://www.uscc.gov/Annual_Reports/2013-annual-report-congress).

as low-intensity operations beyond the region.”<sup>66</sup> This ability to use military influence and to conduct operations well beyond its borders will likely demand policy responses from the other great powers.

Given recent squabbles over airspace and waters, however, to assume that the U.S. will accommodate the rise of China without reservation seems beyond reason. The U.S. views this as a threat to its interests in the region. The U.S. China Commission also concluded that, “the PLA is rapidly expanding and diversifying its ability to strike U.S. bases, ships, and aircraft throughout the Asia Pacific region including those that it previously could not reach, such as U.S. military facilities on Guam.”<sup>67</sup> The U.S. currently maintains the majority of power in the Asia-Pacific region while China is seeking to assert its own local primacy. China maintains territorial disputes with most of its neighbors, many of which are historical U.S. allies. Where Chinese interests and U.S. treaty obligations collide, both sides will face difficult decisions. Geographical proximity may determine eventual influence over small rocks in the “China” seas—short, sharp disputes may test resolve on both sides as in the Sino-Soviet and Sino-Indian border disputes of the 1960s. For the purposes of this study, however, the geographical proximity of Russia and India to China, and therefore individual perceptions, will prove more important. This study will therefore highlight specific, including historical, aspects of the great power military relationships where applicable.

## **Diplomatic**

The purpose of distilling U.S. and Chinese politics into a few paragraphs or pages is to facilitate examining great power responses and actions. The U.S. will attempt to maintain its place of primacy in the international system and likely be more pragmatic in its use of blood and treasure in doing so. China will seek to gain political influence on par with the growth of its economy and military, beginning in Southeast Asia. While the U.S. may seem to lack a clear direction due to a multitude of viable plans, its debate is mostly open. On the other hand, China’s elites and system are much more opaque in their plans

---

<sup>66</sup> “2013 Annual Report to Congress,” 17.

<sup>67</sup> “2013 Annual Report to Congress,” 17.

and dealings. Uncertainty then will be central to their relations with each other and the other great powers as well.

First, while obviously weapons of war, nuclear weapons hold political significance to the U.S.-Chinese and other great power relations. Almost seven decades of non-use means that any nuclear action would not only be martial, but ultimately political. These weapons now primarily serve to prevent each other's use. As early atomic theorist Thomas Schelling stated that 'mutual deterrence', "involving the United States and the Soviet Union was impressively successful."<sup>68</sup> In fact, Friedberg posits that a nuclear response to Chinese aggression is becoming less and less likely. He contends that, "the emergence of a durable nuclear stalemate is going to force the burden of deterrence down to the lower levels of conflict."<sup>69</sup> Earlier, as the Cold War unfolded, he explained that "the resulting international relations often have the character of a competition in risk taking, characterized not so much by tests of force, but by tests of nerve."<sup>70</sup>

China is tightly controlled by a small group of Communist Party elites, but is not monolithic. They must govern a population the size of the United States that is rural and relatively isolated, another that is globally competitive, and two more that are somewhere in between. The extent to which they are willing to take risks, its pace of economic integration, military growth, and domestic policies are not foregone conclusions. Nor does economic liberalization guarantee political liberalization. Deng Xiaoping went so far as to say "the western types of checks and balances must never be practiced. We must not be influenced by that kind of thinking. Efficiency must be guaranteed."<sup>71</sup> It is, however, rising in a system created by the U.S. and greatly benefiting by free-riding on many of the hegemon-established global commons.

Growing under the U.S.-led international system, China exploited many of its advantages to achieve tremendous growth. For example, it recently committed to the World Trade Organization, a product of capitalist free traders, but is already falling foul according to the U.S.-China Commission. The Commission contends that "China has

---

<sup>68</sup> Thomas C. Schelling, *Arms and Influence* (New Haven, CT: Yale University Press, 2008), xi.

<sup>69</sup> Friedberg, *A Contest for Supremacy*, 278.

<sup>70</sup> Schelling, *Arms and Influence*, 94.

<sup>71</sup> Minxin Pei, *China's Trapped Transition: The Limits of Developmental Autocracy* (Cambridge, Mass: Harvard University Press, 2006), 55.

failed to fully perform its obligations under the WTO. It has erected a series of nontariff barriers that include state trading, excessive domestic subsidies and stockpiling of commodities, discriminatory taxes, uncalled-for antidumping duties, and slow approvals of biotechnology applications for U.S. crops.”<sup>72</sup> As Robert Keohane pointed out, “committing oneself to an international regime implies a decision to restrict one’s own pursuit of advantage on specific issues in the future.”<sup>73</sup> With increased prestige, however, it is probable that China will shape the norms of these institutions to seek its own advantage.

The United States as reigning hegemon and preeminent power is taking actions to maintain its position and the system that it created. This will involve a precarious mix of accommodation and balancing. Maintaining relationships in the Asia-Pacific in the face of Chinese pressure will be essential to its success. The U.S. will have choice whether to retrench or attempt to maintain its preeminence. China will similarly decide how firmly to press against any U.S. resistance or how it asserts itself in non-U.S. relations. Will Chinese economic liberalization lead to political liberalization? Each of these decisions will affect all others.

In *No One’s World*, Charles Kupchan argues that “the next world will be dominated by no county or region.”<sup>74</sup> He makes a good case that the U.S. “must take the lead fashioning a new consensus, not insist that the rising rest acquiesce to Western values and institutions.”<sup>75</sup> Further, this means a diffusion of power and competing modernities, on neither American nor Chinese models. The purview of this paper, however, is not oriented so far in the future. Rather, any such world would still transition through the short period of U.S.-Chinese bipolarity and experience its effects. Once again, uncertainty reigns, but our assumptions should remain feasible as the basis for this study. Russia, Brazil, and India will each navigate and shape any impending bipolarity.

---

<sup>72</sup> “2013 Annual Report to Congress,” 11.

<sup>73</sup> Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, 1st Princeton classic ed, A Princeton Classic Edition (Princeton, N.J: Princeton University Press, 2005), 258.

<sup>74</sup> Charles Kupchan, *No One’s World: The West, the Rising Rest, and the Coming Global Turn* (New York: Oxford University Press, 2012), 5.

<sup>75</sup> Kupchan, *No One’s World*, 11.

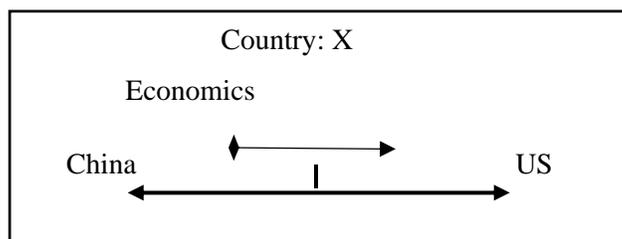
## Method

The next three chapters form the bulk of this paper's analysis. In turn, it will examine Brazil, Russia, and India with the goal of understanding their role in a new bipolarity. For example: Given the current state of Sino-Indian border disputes, how will India respond to a more powerful China? As in the study of the U.S.-China relationship, however, a multitude of variables and an uncertain timeline makes very specific predictions rather academically untenable. Therefore, major trends will be identified and examined versus this chapter's assumptions on the future.

Each of the following chapters will follow the same basic methodology. First, each will examine the country's diplomatic, military, and economic background and current state of affairs. Each of these three areas will be examined in the context of relations with the U.S. and China. Levels of trade, military cooperation, and diplomatic agreements will highlight these ties—if China is focusing on its own military-industrial development in lieu of Russian-derived designs, will this affect its ties with Russia more generally? Second, conclusions and stated goals will be synthesized to create a prognosis of likely short-term futures. Lastly, and most importantly in terms of analysis, what are the implication of a new bipolarity. How will a rising China alter the goals and behavior of each of the countries in question?

In order to better facilitate understanding and to crystallize findings, a simple scale depicts the relationships and their prognoses. The diamond at the starting point of a vector represents the synthesis of qualitative analysis of historical and current relationships. The vector (arrow) represents the likely direction of any future relationship.

**Figure 1: Example Scale**



*Source: Author's Original Work*

## Chapter 3

### Russia

*When I see a bird that walks like a duck and swims like a duck and quacks like a duck, I call that bird a duck.*

- Various attributed

### Overview

Inductive reasoning also identifies Russia as a great power: Russia *acts* like a great power, therefore it *is* a great power. But, is it as ‘great’ as it acts and why do the U.S. and China think so? Though some believe it was excluded from the Great Game of international power politics two decades ago, Russia proves resilient. Much of this power lost through dissolution of empire returned on the basis of its resource-dominated economy. A more holistic view of its global influence is appropriate, however. The U.S. State Department accurately summarizes why the world, including China, should care about Russia:

Russia matters for the defense and promotion of U.S. national interests in a way matched by few other countries in the world. Russia is the world’s largest country by landmass and is a key geopolitical player in the East Asia-Pacific region, Central Asia, the Caucasus, and Europe. Russia and the U.S. collectively control over 90 percent of the world’s nuclear weapons, and Russia is the world’s largest producer of hydrocarbons. It is a permanent member of the UN Security Council, a member of the G8 and G20, and a key player in the Quartet on Middle East peace, the P5+1 talks on Iran, and the Six-Party talks on North Korea.<sup>1</sup>

Recent events in Ukraine further illustrate that Russia is willing to act with relative impunity on the world stage.

Russia’s geographic span and historical ties give it influence across a broad arc of Europe and Asia. Its resources are abundant, in demand, and provide a basis for future economic power. Its military power is still significant, especially regionally, and its

---

<sup>1</sup> Bureau of Public Affairs Department Of State. The Office of Website Management, “Russia,” Press Release|Fact Sheet, *U.S. Department of State*, December 14, 2012, <http://www.state.gov/r/pa/ei/bgn/3183.htm>.

nuclear forces give it global reach. Russia must focus on solving the structural and cultural problems that limit its growth in both areas, however. Despite problems, it still wields both economic and military power effectively. Significantly, those accustomed to its superpower identity, experts in the Great Game, still lead and run the country. Russia is clearly still a great power and both the U.S. and China must treat it as such.

This chapter will examine each of the above facets in more detail. As a deft player on the world stage, Russia remains important to both the U.S. and China and will avoid growing too close to either one. The U.S. and China both spur Russian insecurities and will reinforce its role as a strategic balancer of both. Avoiding cataclysmic confrontations or entanglements, Russia will use each element of its national power to its best advantage. The U.S. and China must realize that it is Russia's prerogative to be European, Asian, or both. Growing Chinese power, much more proximate, however, will likely eventually push it westward.

### **Russia - Economy**

The Russian economy experienced periodic strong growth since the demise of the Soviet Union, but remains hindered by the structure of its economy.<sup>2</sup> It recovered from the global financial crisis of 2008-2009 and is now running near its potential, though economic reforms could unlock more growth. Its energy sector is both a source of strength and of risk. Though reforms have been declared, it is unclear whether Russia will implement programmed economic reforms successfully. Proximity directly links the Chinese and Russian economies more so than the U.S. and Russian ones. Russia is already concerned about managing Chinese impacts in Central Asia. It is also concerned about becoming a resource client beholden to China. A broader internal choice also exists between command economics and freer trade.

Though current Real GDP figures place Russia in eighth place in terms of overall economic size (See Appendix), further growth will require structural reforms.<sup>3</sup> Its 2012

---

<sup>2</sup> Sergey Aleksashenko, "Russia's Economic Agenda to 2020," *International Affairs* 88, no. 1 (January 2012): 32, doi:10.1111/j.1468-2346.2012.01055.x.

<sup>3</sup> "GDP," accessed January 15, 2014, <http://databank.worldbank.org/data/download/GDP.pdf>.

figure of \$2.03B places it at one quarter that of China's and one eighth that of U.S. GDP.<sup>4</sup> It arrived there by following a massive downturn during the 2008-2009 financial crisis with several years of around 4 percent growth. This was stronger than similar U.S. figures, but still well behind Chinese. Russian amounts were still smaller than both in absolute terms.<sup>5</sup> By 2012, unemployment was already below pre-crisis levels and in decline while real wage and consumption growth were both strong.<sup>6</sup> 2013 showed signs of renewed economic slowdown, however, as structural deficiencies took their toll on growth. Sustained growth will depend on Russia's ability to introduce and implement reforms.

Post-Soviet Russian growth is largely a result of a brief period of relaxed private development that nurtured its flourishing extractive industries. Following the economic crises of the late 1990s, Russia began this wave of reform which resulted in the growth of the 2000-2005 era. Private owners who survived the crisis were free to invest and grew their industries with little threat of government intervention. Oil extraction, in particular, rose by 50 percent over this short period. Other extractive industries also made substantial gains, and their associated domestic demand drove the economy.<sup>7</sup> The 2005 legal assault on the oligarchs at Yukos, the oil giant, signaled the end of this period, however. The Russian private business climate remains ruined.

Luckily for Russia, however, the economic developments of the early 2000s reaped rewards as oil prices rose and now continue to drive the Russian economy. As of 2012, oil prices drive two-thirds of Russia's exports and nearly half of federal revenue.<sup>8</sup> Reduced demand and declining prices could have an outsized effect on the Russian economy. Though the explanation is rather lengthy and technical, Russia's monetary policy also ties itself to oil prices and is therefore subject to the same shocks. This problem compounds Russia's difficulties in dealing with inflationary pressures.<sup>9</sup> Despite

---

<sup>4</sup> "United Nations Statistics Division - National Accounts," accessed January 22, 2014, <http://unstats.un.org/unsd/snaama/resQuery.asp>.

<sup>5</sup> "Russian Federation: 2012 Article IV Consultation; IMF Country Report No. 12/217; July 11, 2012 - cr12217.pdf," 4, accessed January 22, 2014, <http://www.imf.org/external/pubs/ft/scr/2012/cr12217.pdf>.

<sup>6</sup> "Russian Federation: 2012 Article IV Consultation; IMF Country Report No. 12/217; July 11, 2012 - cr12217.pdf," 4.

<sup>7</sup> Aleksashenko, "Russia's Economic Agenda to 2020," 35.

<sup>8</sup> Aleksashenko, "Russia's Economic Agenda to 2020," 40.

<sup>9</sup> Aleksashenko, "Russia's Economic Agenda to 2020," 42.

the potential instabilities of a resource-driven economy, experts still see room for expansion. The IMF's 2013 Concluding Statement to its 2013 Article IV Consultation finds, "Russia has a clear potential for growth in the energy sector but investment has lagged, weakened by a revenue-based taxation scheme that inhibits investment in more-difficult-to-reach energy projects."<sup>10</sup> Russian economic power is likely to rely on resource exports throughout the coming rise of Chinese power and any future return to bipolarity.

Writing for *International Affairs*, Sergey Aleksashenko examined Russia's economic agenda to 2020. He concluded, "a dominant culture of bureaucracy and corruption, and a lack of independent judicial protection for property rights, have deterred foreign direct investment, exacerbating the country's technological backwardness."<sup>11</sup> At the heart of this problem is that Russia finds itself somewhere between the advanced powers and the developing economies. Aleksashenko describes that Russia neither has the advanced powers' technological prowess nor the developing economies' large labor pools. It therefore relies heavily on exporting raw materials and importing most everything else. Hydrocarbons are the pivot of Russian exports, 85 percent of which are either raw materials or primary commodities. He explains that Russia "depends critically on imports in all sectors, from foodstuffs and medicines to cars, machinery, and military equipment." Notably, due to difficulties in high technology, Russia imported armaments for the first time ever in 2011, though this policy is subject to much debate.<sup>12</sup> Population trends may exacerbate this dependence on foreign industry.

An impending demographic decline will sap the labor market in the coming decades.<sup>13</sup> According to the UN, U.S. Census Bureau, and Russia's own Rosstat, Russia will lose 15-20 percent of its labor market over the next two decades.<sup>14</sup> Low birthrates, an aging population, and insufficient immigration all contribute to the problem. Reforms aimed at increasing productivity will be necessary for economic growth in light of fewer workers. Further, like in many other countries, an aging population will place pressure on

---

<sup>10</sup> "Russian Federation—Concluding Statement- 2013 Article IV Consultation Mission," accessed January 22, 2014, <http://www.imf.org/external/np/ms/2013/061713.htm>.

<sup>11</sup> Aleksashenko, "Russia's Economic Agenda to 2020," 32.

<sup>12</sup> Aleksashenko, "Russia's Economic Agenda to 2020," 43–44.

<sup>13</sup> Aleksashenko, "Russia's Economic Agenda to 2020," 31.

<sup>14</sup> Aleksashenko, "Russia's Economic Agenda to 2020," 38.

public pensions. Pension reforms, likely difficult, are necessary to sustain fiscal balances. Too few workers will not be able to support many more retirees living on benefits. World economists and Russian leadership both recognize these problems.

The IMF's 2012 Article IV report found that though the Russian economy recovered following the financial crisis, it is still in need of major reforms. In its Executive Board Assessment, it concluded:

Directors underscored that structural reforms are crucial to increase investment, diversify the economy, and raise potential growth. Welcoming Russia's accession to the WTO, they encouraged the authorities to seize this opportunity to strengthen the momentum for reforms and make the business environment more predictable by strengthening the rule of law, reducing corruption, and scaling back state involvement in the economy, including through transparent privatization of state-owned companies.

Each of these points directly reflects a structural deficiency in the Russian economy and each recently became a focus of Russian policy.

On his first day in office in 2012, President Putin sought to introduce some of these changes by announcing an aggressive set of reforms. Amongst these, he ordered his government to raise labor productivity by 50 percent, partly an effort to overcome demographic decline.<sup>15</sup> More importantly, he set a heroic target of moving up the World Bank's Doing Business index by one hundred places from 120th to 20<sup>th</sup> by 2018.<sup>16</sup> Starting, funding, and regulating businesses would become much more transparent. These business-friendly reforms will require not only a modification of Russia's legal framework, but presumably a change in culture as well. He also directed a range of privatizations, though he excluded the energy sector, defense industries, and "natural monopolies".<sup>17</sup> This study will examine the defense industry in more detail for its importance to the Russian military. Accession to the WTO in mid-2012 should provide additional impetus to reforms, but also expose it to outside pressures. With top-down reforms, Russia is seeking to more closely integrate itself into the world economy, while

---

<sup>15</sup> "Russian Federation: 2012 Article IV Consultation; IMF Country Report No. 12/217; July 11, 2012 - cr12217.pdf," 26.

<sup>16</sup> "Russian Federation: 2012 Article IV Consultation; IMF Country Report No. 12/217; July 11, 2012 - cr12217.pdf," 26.

<sup>17</sup> "Russian Federation: 2012 Article IV Consultation; IMF Country Report No. 12/217; July 11, 2012 - cr12217.pdf," 26.

still protecting its core economic interests. Despite being the world's largest energy exporter in a period of high demand, short term economic prospects have sunk lower.

Its fortunes especially affect its neighbors as it maintains strong connections to its former republics. In its measurement of 2012 Russian Regional Spillovers, the IMF finds unsurprisingly that, “the Russian economy is closely interconnected with the CIS region, mainly via trade, remittances, and policy channels.”<sup>18</sup> While Russia's contraction during the global financial crisis “affected the region severely,” its “subsequent recovery has been benefiting the region.”<sup>19</sup> This close link means that the Central Asian economies are often willing to acquiesce to Moscow's policies in other interest areas as well. These mainly Central Asian countries are not completely beholden, however. Chinese growth and investment are tempting hedges against Russian dominance. Russian influence remains large, however, as these linkages are both a legacy of former Soviet flows, but also updated institutions.

As regional organizations, the SCO and the Eurasian Economic Community (EURASEC) are of strategic importance to Russia in its near abroad. This study will examine the wider-ranging SCO while examining diplomatic power later in this chapter. Established in 2000, EURASEC simplifies customs procedures amongst its members, Russia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan. “Aimed to form common external customs borders, to develop common external economic policy, tariffs, prices,” it focuses on transport, energy, work force migration, and the agrarian sector.<sup>20</sup> While easing these relations though, most experts agree that it also serves to limit the amount of influence China wields through the SCO.<sup>21</sup>

Russia's economy places it amongst the great powers, but its resource focus is a vulnerability. It faces demographic decline and depends heavily on the outside world for higher-technology. To encourage domestic growth and attract foreign investments, its

---

<sup>18</sup> “Russian Federation: 2012 Article IV Consultation; IMF Country Report No. 12/217; July 11, 2012 - cr12217.pdf,” 13.

<sup>19</sup> “Russian Federation: 2012 Article IV Consultation; IMF Country Report No. 12/217; July 11, 2012 - cr12217.pdf,” 13.

<sup>20</sup> “Www.eurasian-Ec.com - EurAsEC,” accessed January 28, 2014, [http://www.eurasian-ec.com/index.php?option=com\\_content&task=view&id=2&Itemid=7](http://www.eurasian-ec.com/index.php?option=com_content&task=view&id=2&Itemid=7).

<sup>21</sup> Isabelle Facon, “Moscow's Global Foreign and Security Strategy Does the Shanghai Cooperation Organization Meet Russian Interests?,” *Asian Survey* 53, no. 3 (June 1, 2013): 472, doi:10.1525/as.2013.53.3.461.

opaque economic structures will require change. Leadership has programmed many changes, but Russia's terrible business climate will be difficult to turn around quickly. It will also depend on strong resource exports, but wants to avoid dependencies which would make it vulnerable in the longer run. This is spurring Russian caution about Chinese projects, especially in Eastern Russia. Its influence in Central Asia is institutionalized, but also threatened by Chinese growth. As a basis for power in a globalized world, the Russian economy must reform to realize its potential.

### **Russia - Military**

Amity between Russia, the U.S., and China is often fleeting. It tends to follow more realist than ideological lines. Russia and the U.S. briefly worked together to defeat Nazi Germany, but only infrequently saw their vital security interests coincide in the ensuing decades. Common fears of terrorism drew the two nations' security interests closer during the last decade, though concerns on encirclement led to tension on the Russian periphery. Russia and China have a long history of unequal treaties and came close to all-out war in 1969. By 1989, Gorbachev's overtures began thawing relations, and by 1996, Russia and China led the formation of the SCO. Russian armaments are important to the Chinese military buildup, but are now affected by a Chinese drive for domestic military technology. Russia's still-potent nuclear forces continue to provide global reach and deterrence. Russia also continues to tie its security interests to its former republics, especially through the Collective Security Treaty Organization (CSTO) and avoids entanglement with either the West or East. Despite challenges, Russia is attempting to maintain its military power, especially in the face of rapidly growing Chinese military power.

Russia is still third in the world in military expenditures at approximately \$90B per annum,<sup>22</sup> yet the U.S. and China far outpace it at \$680B and \$165B, respectively.<sup>23</sup> It's massive, near 15 percent of GDP spent on defense toward the end of the Cold War

---

<sup>22</sup> "SIPRI Military Expenditure Database — SIPRI," accessed January 29, 2014, <http://milexdata.sipri.org/files/?file=SIPRI+milex+data+1988-2012+v2.xlsx>.

<sup>23</sup> "SIPRI Military Expenditure Database — SIPRI."

gives it a large quantity of legacy military might. Further, treaty limitations keep its strategic and tactical nuclear arsenals near parity with the U.S., but far outpacing China, possibly by a factor of 40.<sup>24</sup> After years of living off a legacy of strength, however, Russia is now restructuring and executing a modernization program to guarantee its military power in the coming decade. Its size, capability, and purpose require more in-depth study, but it is safe to say that Russia is certainly a major military power.

The Russian military is still large and dangerous, but is not the highly-capable force so feared during the Soviet era. Actually, a quarter century later, much of it is precisely the same force—and that is the reason it is not as fearsome. Maintaining a large force amidst endemic corruption prevented effective implementation of modernization plans. Ultimately a defense force, it continues to face the unenviable task of defending a huge territory with myriad neighbors. If it must focus attention on a conflict in one region, it must maintain distant flanks as well. Defense in depth, ceding huge swaths of territory as against Napoleon and Hitler, does not conjure fond memories for Russian leaders. Further, a prevailing sense of insecurity, including internal, places many demands on its military. A larger NATO, a growing China, and separatist movements all require strategic response.

Considering this insecurity and a huge territory, Russia remains committed to a large military. The Ministry of Defence of the Russian Federation maintains that it should be able to:

- effectively wage two concurrent armed conflicts of any type in peacetime or in an emergency through the use of ready forces, while sustaining the strategic deterrence capability, maintaining readiness of the forces (other troops) and refraining from engaging call-up reinforcements. In addition, the Russian Armed Forces should command the capability to conduct peacekeeping missions, while operating either as part of a multinational contingent or unassisted;
- undertake strategic deployments to put in check escalation of tensions by way of assuring availability of the strategic deterrence weapons and maneuvering the committed ready forces in the event of rising military-political and strategic threats.

---

<sup>24</sup> Fredrik Westerlund, “2013 Russian Military Capability in A Ten-Year Perspective,” 32, accessed January 28, 2014, [http://www.academia.edu/5407818/2013\\_Russian\\_Military\\_Capability\\_in\\_A\\_Ten-Year\\_Perspective](http://www.academia.edu/5407818/2013_Russian_Military_Capability_in_A_Ten-Year_Perspective).

- beat back aerospace aggression in wartime through the use of available forces, and concurrently prosecute two local wars following completion of the full-fledged strategic deployment of the Russian Armed Forces.<sup>25</sup>

It therefore maintains the legal mandate of a million-man force despite manning difficulties.<sup>26</sup> It also maintains a large, geographically dispersed inventory of equipment. Numbers, however, are greatly reduced on the heels of a massive program of reform from 2008-2011.

The Russia Studies Program (RUFS) provides very useful, academic-driven analysis in its regular highly-detailed update to the Swedish Ministry of Defence. Last year it focused on two research questions: “what military capability for regular warfare does Russia possess in 2013? and what are the societal preconditions for generating military capability in the ten-year perspective?”<sup>27</sup> Each of these directly supports this study. It concludes that the Russian military is making visible progress as a result of the reforms of the last five years. Sizeable forces are adequately equipped, but mostly with legacy Soviet equipment, making their mobility difficult.<sup>28</sup> Forces are prepared and exercised to conduct joint operations while standoff weapons and tactical nuclear forces provide significant firepower. The million-man force, though, probably has closer to 625,000, rather than even the 800,000 admitted by the forces themselves.<sup>29</sup> Additionally, Russia’s strategic posture dictates the wide distribution of these forces.

Russian forces are garrisoned in a defensive posture across the Russian landmass, but as demonstrated in Georgia in 2008, flexible enough to mass for larger focused or offensive operations.<sup>30</sup> Power projection is at a premium, however, even within Russian territory. A force of approximately 25,000 Railway Troops facilitates larger mobility operations. Only around 100 heavy military transport (80 airdrop capable) aircraft are available, meaning that Russia should have capacity for a single regimental-size airdrop outside its territory.<sup>31</sup> Air and Maritime forces remain capable of integration, but also foray throughout international airspace and waters. Recently, some of it is reminiscent of

---

<sup>25</sup> “Objectives of the Russian Federation Armed Forces : Ministry of Defence of the Russian Federation,” accessed January 28, 2014, <http://eng.mil.ru/en/mission/tasks.htm>.

<sup>26</sup> Westerlund, “2013 Russian Military Capability in A Ten-Year Perspective,” 153.

<sup>27</sup> Westerlund, “2013 Russian Military Capability in A Ten-Year Perspective,” 13.

<sup>28</sup> Westerlund, “2013 Russian Military Capability in A Ten-Year Perspective,” 64–65.

<sup>29</sup> Westerlund, “2013 Russian Military Capability in A Ten-Year Perspective,” 38.

<sup>30</sup> Westerlund, “2013 Russian Military Capability in A Ten-Year Perspective,” 64.

<sup>31</sup> Westerlund, “2013 Russian Military Capability in A Ten-Year Perspective,” 44–45.

the Cold War, including long-range bomber sorties into the North Sea. Experts also assess major exercises in 2010 as demonstrating capability against a Chinese foe in eastern Russia.<sup>32</sup> Though reforms and increased spending are positively impacting the readiness of these forces, modernization efforts remain in question.

Because of its dependence on indigenously produced equipment, Russia's defense industry is also essential to this military power, further making modernization critical. Its ability to independently produce and deploy military technology allows it autonomy in its actions, crucial to its role as a great power. Set forth as a series of long-term plans, state armament programs create the vector for defense industry and military procurement. Since 1990, a series of plans have not been particularly successful in achieving published goals.<sup>33</sup> In 2008, Russia made a new, significant commitment to modernization from 2011-2020. Upon his inauguration in 2012, President Putin also threw his weight and resources behind the plan. He called for a 70 percent modern force by 2020 supported by increased spending.<sup>34</sup> Again ambitious, some experts question whether the economy or industry can support this program successfully.

Differing sources produce differing interpretations of Russian spending. The Russian Ministry of Finance figures for defense spending are generally more narrow than U.S. figures, making comparisons difficult. SIPRI figures are usually about 1-1.2 percent of GDP higher than these official numbers.<sup>35</sup> A comparison of SIPRI figures shows the urgency of the resources devoted to the military, rising from an average of a still globally high 4% in the 2000s to an estimated more than 5% in 2014 (See Appendix). Even more significant for the modernization efforts, the percentage of this increased spending devoted to modernization (procurement, research and development) is drastically increasing: from 20% in the 2000s to 40% in 2010 to 50% now.<sup>36</sup> It is unclear, however, what effect this increased spending can actually have in the Russian system.

---

<sup>32</sup> Sir Tony Brenton, "Russia and China: An Axis of Insecurity," *Asian Affairs* 44, no. 2 (July 2013): 244, doi:10.1080/03068374.2013.794549.

<sup>33</sup> Susanne Oxenstierna and Fredrik Westerlund, "Arms Procurement and the Russian Defense Industry: Challenges Up to 2020," *The Journal of Slavic Military Studies* 26:1 (2013): 1.

<sup>34</sup> Oxenstierna and Westerlund, "Arms Procurement and the Russian Defense Industry: Challenges Up to 2020," 7.

<sup>35</sup> Oxenstierna and Westerlund, "Arms Procurement and the Russian Defense Industry: Challenges Up to 2020," 8.

<sup>36</sup> Oxenstierna and Westerlund, "Arms Procurement and the Russian Defense Industry: Challenges Up to 2020," 8.

In the *Journal of Slavic Military Studies*, Susanne Oxenstierna & Fredrik Westerlund analyze how the Russian economy's major structural and cultural changes hinder, or even preclude, efficiency. They show this is particularly true because state leadership legally shields the defense industry from reforms. Even according to Russia's chief military prosecutor, 20 percent of the defense budget actually disappears annually. Official sources also placed nearly three quarters of the defense industry's stock of production machinery as obsolete as late as 2009. Reliance on former republics, sometimes fickle, also increases risk to modernization plans. Purchases of French ships, Israeli UAVs and other high-technology equipment signals a realization that self-reliance is impossible in the face of much larger or more advanced foreign competitors.<sup>37</sup> Again, demographic difficulties are also evident. Oxenstierna and Westerlund point out that despite double or even quadruple manning compared to Western industry, there is a shortage of competent production personnel and this population is aging. They conclude:

The Russian defense industry will most likely not be able to produce weapons and equipment in the volumes envisioned. There is hardly any empirical evidence to support the idea that pouring substantial government funding into large, unreformed monopoly structures would have any positive effect on either the performance in terms of output volume or the economic efficiency and the technical quality of products.<sup>38</sup>

A failure to modernize more fully will continue to have an impact on the Russian military, but increased emphasis on technology and procurement will still provide the military with improved capability in the near future.

The Russian-Chinese armament relationship is important, but probably waning, while the Russian- U.S. relationship is limited. In the 1990s, after the fall of the Soviet Union, Chinese arms purchases were very important to Russian industry.<sup>39</sup> A decade ago, as China began its push to modernize its military, it had neither the capacity nor technological know-how. Coupled with Tiananmen Square-driven Western arms embargoes, Chinese defense industrial limitations tied it to Russia. This dependence is no

---

<sup>37</sup> Oxenstierna and Westerlund, "Arms Procurement and the Russian Defense Industry: Challenges Up to 2020," 10–19.

<sup>38</sup> Oxenstierna and Westerlund, "Arms Procurement and the Russian Defense Industry: Challenges Up to 2020," 23–24.

<sup>39</sup> Bobo Lo, *Axis of Convenience: Moscow, Beijing, and the New Geopolitics* (Washington, D.C: Brookings Institution Press, 2008), 80.

longer apparent. SIPRI's 2013 statistics on arms transfers from 2008-2012 place Russia as the number two arms exporter with 26 percent of the global market, while China was the number two importer at six percent, behind India's 12 percent.<sup>40</sup> More notably, China climbed into fifth place for exports as well with six percent of the global share.<sup>41</sup> The aforementioned difficulties of Russian industry and surging Chinese industry are leading to a weaker connection between the two. SIPRI's 2013 data shows that exports to China only make up 15 percent of Russian exports while 35 percent goes to India.<sup>42</sup> At some point, Russian security concerns over Chinese growth may trump economic interests in the relationship. In this light, Russia also works to maintain prominence in Central Asian security relationships.

The Collective Security Treaty Organization is an important facet in examining Russian security interests. Born after the fall of the Soviet Union, it is largely a re-incorporation of willing former republics back into the Russian security sphere. In 1992, the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation and the Republic of Tajikistan established as the Collective Security Treaty. True to its moniker, its charter specifies that it is a true collective security organization:

In case a threat to security, territorial integrity and sovereignty of one or several Member States or a threat to international peace and security Member States will immediately put into action the mechanism of joined consultations with the aim to coordinate their positions and take measures to eliminate the threat that has emerged.<sup>43</sup>

This explicit security guarantee makes it much more effective than the limited cooperation of the SCO (which will be examined in more detail later). Mostly focused on Central Asia, it created the Collective Rapid Deployment Forces of the Central Asian Region in 2001 and became the CSTO a year later.

---

<sup>40</sup> "Recent Trends in Arms Transfers — Wwww.sipri.org," Page, accessed January 27, 2014, <http://www.sipri.org/research/armaments/transfers/measuring/recent-trends-in-arms-transfers>.

<sup>41</sup> "Recent Trends in Arms Transfers — Wwww.sipri.org."

<sup>42</sup> "Top 5 Exporters - Main Buyers and Types of Arms.png," accessed January 29, 2014, <http://www.sipri.org/research/armaments/transfers/measuring/at-images/Top%20%20exporters%20-%20main%20buyers%20and%20types%20of%20arms.png>.

<sup>43</sup> "CSTO," accessed January 13, 2014, [http://www.odkb.gov.ru/start/index\\_aengl.htm](http://www.odkb.gov.ru/start/index_aengl.htm).

While originally, and still primarily, a collective security organization, its remit also includes other security dimensions. According to the CSTO's English language website, its main task is "coordination and deepening of military-political cooperation, formation of multilateral structures and mechanism of cooperation to provide national security of member states on collective basis, to provide help, including military one to the Member State which became a victim of aggression." In practice, however, in 1999-2000, it neutralized "the threat created by large-scale actions of armed groups of international terrorists in southern Kyrgyzstan and elsewhere in Central Asia." In this vein, another of the "main aims and directions of activity of the Organization is coordination and joint efforts to struggle against international terrorism and other untraditional threats to security."<sup>44</sup> It is unlikely that these threats will diminish in the near future.

Over the last decade, the states further pledged cooperation against non-traditional threats. They now target the flows of illicit drugs and their precursors throughout Central Asia and are committed to the UN Global Counter-Terrorism Strategy for 2008-2012. The CSTO Member States further created a program of joint actions to create a system of information security. At the 2013 CSTO Summit, President Putin stated:

By raising our countries' defence capabilities and our collective forces' combat readiness and effectiveness, we can create a reliable barrier to terrorist and extremist threats. This is especially important with the foreign military contingent in Afghanistan preparing to withdraw in 2014. No matter what turn developments take in Afghanistan, we must not let ourselves be caught unprepared. I hope that today we will discuss in this context reinforcing and protecting the Tajikistani-Afghan border.<sup>45</sup>

Though similar interest areas also exist under the remit of the SCO, the CSTO takes precedence in Russian decision making.

Experts on Russian defense agree that the CSTO is much more important to Russia and the Central Asian states than the SCO. Through deeper integration, Russia is ensuring the hard security concerns of Central Asia continue through Moscow, not Beijing. Isabella Facon points out that beyond military coordination, Russia also uses

---

<sup>44</sup> "CSTO."

<sup>45</sup> "President of Russia," accessed January 14, 2014, <http://eng.kremlin.ru/transcripts/6023>.

economic and educational tools to advance integration.<sup>46</sup> CSTO members receive preferential access to and pricing on Russian military equipment and send their officers to Russia for professional military education. CSTO members also play host to Russian military bases and training exercises. Facon also describes that Russia uses the CSTO for burden sharing in the securitization of Central Asia.<sup>47</sup> Though it keeps its fellow members close via the CSTO, it also continues to play the states off of each other to extract Russian benefits.<sup>48</sup> Most importantly for the CSTO, however, is the lack of Chinese participation.

International terrorism and the end of U.S. involvement in Afghanistan will be a continuing test for Central Asia and will also highlight differences between the CSTO and SCO. Michael Cabestan makes the case that “ironically, the SCO has also been utilized by Russia to limit China’s influence in Central Asia by keeping this new multilateral organization weak and irrelevant when serious issues or crises need to be addressed.”<sup>49</sup> Cabestan sums it up clearly: “In other words, the CSTO is a military alliance; the SCO, in spite of its strong security dimension, is not.”<sup>50</sup> Useful to both Russia and China, these international organizations will likely persist in reducing the uncertainty in the relations of the neighbors.

The next ten years will therefore likely be focused on the implementation of existing plans. President Putin’s return to power and changes at the top of the military establishment signal commitment, though broader structural and cultural changes will impede progress. Russia will remain one of the world’s top military powers with improved conventional capability. Significant strategic and tactical nuclear capabilities make it rather secure against foreign existential threats. It will likely structure itself as an independent actor closely linked to its former republics and ready to defend its sphere of

---

<sup>46</sup> Facon, “Moscow’s Global Foreign and Security Strategy Does the Shanghai Cooperation Organization Meet Russian Interests?,” 473.

<sup>47</sup> Jean-Pierre Cabestan, “The Shanghai Cooperation Organization, Central Asia, and the Great Powers, an Introduction One Bed, Different Dreams?,” *Asian Survey* 53, no. 3 (June 1, 2013): 468, doi:10.1525/as.2013.53.3.423.

<sup>48</sup> Cabestan, “The Shanghai Cooperation Organization, Central Asia, and the Great Powers, an Introduction One Bed, Different Dreams?,” 468.

<sup>49</sup> Cabestan, “The Shanghai Cooperation Organization, Central Asia, and the Great Powers, an Introduction One Bed, Different Dreams?,” 429.

<sup>50</sup> Cabestan, “The Shanghai Cooperation Organization, Central Asia, and the Great Powers, an Introduction One Bed, Different Dreams?,” 428.

influence. Russian defense industry will remain internally important, but defense-industrial ties to China will likely unwind as the Eastern neighbor becomes more militarily and technologically more capable. Despite some security connections in Central Asia, there is little reason to believe that Russia will deeply entangle itself militarily with a rising China. Similarly, Russian-U.S. security cooperation will remain limited.

### **Russia - Diplomacy**

Russian power and prestige fluctuated since the end of the Cold War as a product of its massive transitions. In the immediate aftermath of the breakup of the Soviet Union, it faced a daunting change of circumstance. It seemed to go from superpower to 'also ran' almost instantly following its loss of empire. Sir Tony Brenton, former British ambassador to Russia, deftly noted: "In 1990 the U.S.S.R had one quarter of China's population and one and a half times her GDP. In 1992, Russia had one-eighth of China's population and half her GDP. Big brother had, more or less overnight, become little brother."<sup>51</sup> The 'little brother' did not accept this change gladly, however, and quickly began to act in accordance with its former role. Despite a crumbled economy, it maintained outsize influence in its former republics and retained its Eurasian sphere of influence. Further, its military did not disappear nor did its massive nuclear arsenal, making it impossible to ignore on the world stage. Russia's relations with the U.S. and the West remained tumultuous as Cold War tendencies failed to fade. Likewise, a centuries-long tumultuous relationship between West and East mostly saw Russians taking advantage of the Chinese in recent times. Russo-Chinese relations improved since the end of the Soviet Union, but the countries are not truly friendly. The context of this strategic partnership is changing, however, as China's economic growth feeds an acceleration of military power. For the sake of brevity then, this section must focus on broad trends and will attempt to avoid examining too many individual issues.

Russia maintained several consistent foreign policy aims throughout the post-Soviet era with varying degrees of success. First, it sought to maintain its influence in its

---

<sup>51</sup> Brenton, "Russia and China," 236.

former republics, a struggle which continues to play out daily. In some of these cases, the contest for influence is with the U.S., or the West more generally, and other times with China. Second, Russia has also sought to build a strategic partnership with a rising China over this period, though China is clearly growing much more quickly. Finally, Russia, as expected by Realist international relations theorists, has continuously sought to regain the power and prestige it hemorrhaged in the late 1980s and early 1990s. The second will be the most difficult to maintain in the context of a rising China.

There is not a clear way ahead for Russian policy, though power is highly centralized. Andrew Kuchins and Igor Zevelev from the Center of Strategic and International Studies described three major camps in contemporary Russian politics: Liberals, Balancers, and Nationalists.<sup>52</sup> Liberals, now largely discounted, favor assimilation with the West and the assumption of more European economic and governmental ideals. Though these liberals rose to prominence in the early 1990s, their ideals soon diminished in the face of a more realist interpretation of the role of the Russian state. Notions of Russian sovereignty and a strong state signaled a return to great power politics. Realist Balancers looked to return Russia to great power status and diminish the role of the West which was seemingly overplaying its hand in the American unipolar moment of the late 1990s and early 2000s. Throughout this period, Russian nationalists continued to advocate various forms of Russian regional dominance, some with and some without actually re-absorbing lost territories.<sup>53</sup> Though elements of reform and nationalism continue to shape the Russian debate, balancing against Western, mainly American, dominance seems primary.

Kuchins and Zevelev contend that President Putin's foreign policy outlook, and therefore Russia's, largely centers on the ideals of Evgeniy Primakov. Considered Russia's Henry Kissinger for his dedication to realism, Primakov moved from academia to Foreign Minister in 1996 and Prime Minister in 1998-1999. A proponent of placing Russia as a great power pole in a multipolar world, the U.S. preponderance of power was a "fact of life, but not [seen] as a source of legitimate authority."<sup>54</sup> Balancing was a

---

<sup>52</sup> Andrew Kuchins and Igor Zevelev, "Russian Foreign Policy: Continuity in Change," *The Washington Quarterly* 35:1, no. Winter 2012 (2012): 147.

<sup>53</sup> Kuchins and Zevelev, "Russian Foreign Policy: Continuity in Change," 151.

<sup>54</sup> Kuchins and Zevelev, "Russian Foreign Policy: Continuity in Change," 150-154.

natural response to U.S. hegemonic ambitions and actions while negative perceptions of the U.S. grew worldwide as the Iraq and Afghanistan conflicts continued to flare. Support for the democratic “color” revolutions in the post-Soviet sphere, ballistic missile defense plans, and backing for Mikhail Saakashvili all reinforced Russian perceptions of encroachment.<sup>55</sup> Kuchins and Zevelev contend, however, that President Obama’s reversal of ballistic missile defense plans and re-emergence of more Russian-friendly regimes in Central Asia allayed some Russian fears. Further, with Georgian and Ukrainian NATO memberships on hold, Russian perceptions of encirclement eased. Presumably, the drawdown of U.S. and NATO forces in Afghanistan, withdrawal from Kyrgyzstan, and any rapprochement over Iran’s nuclear program will have a similar affect. Despite these trends, however, aforementioned Russian nationalism continues to run strongly.

Kuchins and Zevelev also consider the effects of Russian resurgence then economic crisis on its elites. Buoyed by rising oil prices and strong growth, Russian nationalists, mostly anti-Western, also regained clout. Putin’s balancing tendencies became tinged with Russian nationalism and peaked during the Georgian war, as U.S. influence seemingly waned. They point out that nationalists gained more, however, from the 2008 financial crisis which demonstrated the faults in the U.S.-led western economic system.<sup>56</sup> Again, the confluence of events near its borders and direct economic impacts determined the flavor of Russian politics. The impact of America’s war on terror is worthy of more-detailed examination.

Though the events of 11 September 2001 seemingly had little to do with Russia, it is important to examine its effects on U.S.-Russian relations. With an immediate offer of support to the U.S., President Putin seemed to signal a new era for the old superpower relationship. In reality, however, he likely based his decision on several assumptions and concluded that it could be a net benefit to Russia. In his aptly named *Axis of Convenience*, Bobo Lo, a former Australian diplomat in Moscow and later head of the Russia and Eurasia program at Chatham House, proposed three. First, President Putin likely believed that Russia would become, and receive treatment as an indispensable partner, not a secondary priority. Second, he realized that he had little power to affect the

---

<sup>55</sup> Kuchins and Zevelev, “Russian Foreign Policy: Continuity in Change,” 156–157.

<sup>56</sup> Kuchins and Zevelev, “Russian Foreign Policy: Continuity in Change,” 155–156.

Central Asian states' promises to host Americans en route to, or engaged in, the fight. Third, he approved of the Americans solving the problem of the Taliban and like-minded individuals who destabilized the region.<sup>57</sup> Russia's accounting of the benefits of the Global War on Terror (GWOT) changed over the ensuing decade of conflict, however. As the conflicts failed to conclude in a timely manner, stretching into years, Russian perceptions changed.

The U.S. did not do much to ameliorate Russian concerns in the ensuing stages of the GWOT. The U.S. overlooked and dismissed Russian disagreements on the invasion of Iraq, demonstrating their less-than-indispensable partnership. Further, the U.S. supported the independence of Central Asian states in the following years, a direct threat to Russian influence in its traditional sphere of influence. Lo stated that the revolutions in Georgia, Ukraine, and Kyrgyzstan "heightened Kremlin fears that U.S. policy had shifted from fighting Islamic extremism to exporting Western democratic values," becoming a "subversive presence."<sup>58</sup> Seeing their regional hegemony disregarded by the U.S., Russia re-energized its focus on denying the West more influence in the region by moving closer to China and the still-friendly Central Asian states. This episode and subsequent geopolitical events highlighted that the Russian relations with both the U.S. and China maintained their realist dimensions. Increasing Russian perceptions of insecurity gives the upper hand to realist balancers and nationalists. While supporting the ousting of the U.S. from its base in Kyrgyzstan, however, Russia also allowed overflight of Russian territory for U.S. airlift operations. Despite centralized control under President Putin, Russian policy interests will likely continue to compete.

In this sense, both the U.S. and China will dictate their own Russian relations in the short term. If the U.S. retrenches or turns its focus away from Central Asia or Russian interests, Russia is less likely to feel insecure. Cooperation on Iran, North Korea, and counter-terror may all provide some common ground for the U.S. and Russia and feed Russia's great power identity. U.S. non-intervention in Syria demonstrated strategic restraint, while its pivot to the Pacific is perceptible as balancing Chinese growth. Kuchins and Zevelev support this reasoning, finding that the U.S. is its own critical

---

<sup>57</sup> Lo, *Axis of Convenience*, 93.

<sup>58</sup> Lo, *Axis of Convenience*, 95.

variable in Russian relations.<sup>59</sup> Russia, from a position of relative weakness, wants the U.S. to give it legitimacy and to avoid meddling in Russian affairs, especially in its sphere of influence. There is little to indicate that this will change as China grows.

China's relations with Russia are relatively predictable for now. If reducing insecurity in the mind of Russian elites is the essential driver of friendly relations, both economic and military power arrangements currently make this feasible. China is happy to demur to Russian influence in Central Asia while it focuses on its relationship with the reigning hegemon in the Pacific. Mutual anti-encirclement benefits both nations. Russia and China are therefore happy to engage in international organizations to enhance the predictability of their relationship.

The Shanghai Cooperation Organization is the most relevant intergovernmental organization in Southeast Asia for studying the Russian-Chinese relationship. Formed as the Shanghai Five in 1996 mainly to solve border disputes, it now includes China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. Significantly, its observers include Mongolia, Iran, Pakistan, and India, Afghanistan, and dialogue partners Belarus, Sri Lanka, and Turkey. Although neutral, Turkmenistan also sends a representative. Successes include a Regional Anti-Terrorism Structure that now combats terrorism and a pipeline carries gas from Turkmenistan through Uzbekistan and Kazakhstan to China.<sup>60</sup> With a full plate of agenda items, including matters of economics and security, Russo-Chinese differences fundamentally hamper it, however.

The SCO also highlights the divides between Russia and China in the region. Chairman of the Central Asia-Caucasus Institute, S. Frederick Starr, described the "fundamental asymmetry" of the SCO is that "China recognizes the right of Central Asian states to make their own decisions ... Russia does not."<sup>61</sup> He contends that these states prefer domination by neither, though they still mostly look to the Collective Security Treaty Organization for matters of defense.<sup>62</sup> In fact, the contending visions of future of the organization highlight great power designs on the organization.

---

<sup>59</sup> Kuchins and Zevelev, "Russian Foreign Policy: Continuity in Change," 160.

<sup>60</sup> Cabestan, "The Shanghai Cooperation Organization, Central Asia, and the Great Powers, an Introduction One Bed, Different Dreams?," 425.

<sup>61</sup> "The Shanghai Cooperation Organization," *Council on Foreign Relations*, accessed January 9, 2014, <http://www.cfr.org/china/shanghai-cooperation-organization/p10883>.

<sup>62</sup> "The Shanghai Cooperation Organization."

In a 2013 *Asian Journal* article, Jean Paul Cabestan provided analysis of the great powers' relationship with and the through the SCO. He contends that Russia uses it simultaneously to affect relations with both the U.S. and China. It not only helps to restore its own power in Central Asia versus the U.S. influence, but to demonstrate a willingness to cooperate with China. Russia uses the SCO as a tool to rail against U.S. unilateralism and its dealings in the former Soviet republics in Central Asia. He contends that it also deliberately underinvests in the SCO in order to diminish the importance of an organization more highly prioritized by China.

He described in this contest for Central Asia, the Stans bounce between the two great powers despite strong Chinese enticement. From a security standpoint, they share Chinese interests and intelligence in managing ethnic minorities and terrorist activities, especially in Xinjiang. As their largest trading partner, China also provides cheap exports and foreign direct investment. Chinese Confucius Institutes and Ministry of Education-sponsored scholarships ensure a further cultural connection amongst the educated as well.<sup>63</sup> Yet, Central Asian states fall short of joining the Chinese camp.

While some mainly economic interests help to draw Central Asia southward, culture seems to be acting in the opposite direction. Cabestan points to the shared culture of the former Soviet republics with its old masters. He points that "this region's elites are united by the common use of the Russian language and by the 'China threat' syndrome, nearly as much as their former rulers in Moscow, who remain keen to cultivate this sentiment discreetly."<sup>64</sup> Despite Chinese pragmatism in advancing initiatives under the SCO, it has overstepped Central Asian bounds at times. Early last decade, when China advanced a Central Asian free-zone, post-Soviet industries immediately recognized their own vulnerabilities. China soon retracted the offer and advanced a milder form of energy and trade cooperation more acceptable to post-Soviet elites.<sup>65</sup> The internal security of like-minded elite-driven societies also binds the states.

---

<sup>63</sup> Cabestan, "The Shanghai Cooperation Organization, Central Asia, and the Great Powers, an Introduction One Bed, Different Dreams?," 429.

<sup>64</sup> Cabestan, "The Shanghai Cooperation Organization, Central Asia, and the Great Powers, an Introduction One Bed, Different Dreams?," 429.

<sup>65</sup> Cabestan, "The Shanghai Cooperation Organization, Central Asia, and the Great Powers, an Introduction One Bed, Different Dreams?," 431.

For Russia, the SCO is a stabilizing force in an important region. In a study by Isabelle Facon, *The SCO and Moscow's Foreign Policy*, Russia's motivations for promoting the SCO become clearer. She advances that two major priorities drive Russia in Central Asia. First, Russia wants to exclude "extra-regional" powers from influencing the region. Second, and related, it seeks to maintain stability in Central Asia. Russia focuses on the West, however, as opposed to China, Turkey, or Iran whose motives they deem more transparent. She contends that Russia perceives Western actions as having the goal of reducing influence in its former republics.<sup>66</sup> NATO's expansion into the Baltics, coupled with enhanced relations with Ukraine and Georgia, are particularly vexing. Further, EU support to petroleum pipelines that circumvent Russian influence demonstrates Western intent to limit their oft-used manipulation of post-Soviet energy supplies. Most importantly, however, Russia sees Western interference contributing to possibly changing the non-democratic basis of power currently established as the norm in the region, inducing instability.<sup>67</sup>

Russian intervention was in progress during the writing of this study. So far, Russian actions in Crimea are not an existential threat to the international system, nor to U.S. interests. Though state sovereignty is at the heart of the international system of states, Great Power interests sometimes abrogate this norm. Extenuating circumstances of Russian history and identity make the case cloudier. Rational cost-benefit analysis also shows that Crimea was much easier for Russia to take than for America to take back and much more valuable to Russia. If Crimea is not a location where the U.S. is willing to exercise military power and Russia is willing to endure the short-term ire and sanctions, it will remain Russian. Further Russian incursions, even if based on Russian identity, could change this calculation, however. Even if Russia does not push further, however, this episode will preclude close ties with the West for several years or more. Russia, therefore, will work closely with friendlier neighbors to the East.

The SCO provides Russia with an avenue for maintaining norms, and therefore stability, in its near abroad. This serves to protect energy infrastructure and uranium

---

<sup>66</sup> Facon, "Moscow's Global Foreign and Security Strategy Does the Shanghai Cooperation Organization Meet Russian Interests?," 465.

<sup>67</sup> Facon, "Moscow's Global Foreign and Security Strategy Does the Shanghai Cooperation Organization Meet Russian Interests?," 465.

sources as well as military-industrial facilities and trade links.<sup>68</sup> Engaging Central Asian states through the SCO allows it to second China in reinforcing the norm of non-interference in other sovereign states affairs.<sup>69</sup> Sharing the leadership of the SCO also allows Russia to wield influence in these states through these norms rather than bilaterally where it may meet more resistance, even amongst Central Asia's wary authoritarian regimes.

Though the SCO is not a bastion of freedoms and representative governments, some countries have hedged with moves toward the West. China, Russia, and the Central Asian republics all seem comfortable with the authoritarian leanings of their fellow members. Cabestan points to what Vladimir Putin called its "verticality of power" which allows to it resist Western influence and the intrusions of democracy.<sup>70</sup> This has not stopped individual Central Asian states from working with the West or its allies in the region. Kazakhstan, in particular, enjoys ties with the EU as well as South Korea and Japan, interested in the region. Cabestan concludes that in summation, the SCO favors a partial power transition from Russia to China, allowing more access into Central Asia, but also provides a valuable regional discussion platform for the two great powers.<sup>71</sup>

Afghanistan also connects both Russia and China to the U.S. in Afghanistan. China is the largest investor, while the U.S. contributes the most security and government assistance. All three share an interest in reduced violence and increased stability. As the U.S. draws down, leaving an assistance and anti-Al Qaeda force behind, it will be less threatening to Russian interests. In fact, by focusing on terror networks, interests will more closely coincide. Russia would, however, most likely be uneasy with a Chinese-dominated Afghanistan due to persistent concerns about encirclement.

Professional diplomats with Russian expertise often display pessimism about the future of the country's relationship with China. Lo describes a less amicable version of Russian-Chinese cooperation. He describes their axis less as a strategic partnership, but

---

<sup>68</sup> Facon, "Moscow's Global Foreign and Security Strategy Does the Shanghai Cooperation Organization Meet Russian Interests?," 463.

<sup>69</sup> Facon, "Moscow's Global Foreign and Security Strategy Does the Shanghai Cooperation Organization Meet Russian Interests?," 463.

<sup>70</sup> Cabestan, "The Shanghai Cooperation Organization, Central Asia, and the Great Powers, an Introduction One Bed, Different Dreams?," 431.

<sup>71</sup> Cabestan, "The Shanghai Cooperation Organization, Central Asia, and the Great Powers, an Introduction One Bed, Different Dreams?," 434.

rather as an “anti-relationship.”<sup>72</sup> They rather based their relationship upon “containing undesirable developments than creating new structures and mechanisms for cooperation.”<sup>73</sup> A review of issue areas largely supports Lo’s claims. Focusing actions through the relatively weak SCO in Central Asia reinforces Russia’s desire to keep other states, especially the U.S., from meddling in Central Asia. Russia and China have been using each other to balance the hegemonic U.S. and avoid encirclement. This does not necessarily portend a very strong future relationship as China’s strength increases.

Sir Tony Brenton, formerly British ambassador to Moscow, echoes some of Lo’s negative outlook. Just as many are concerned about the hegemonic power transition, he considers the Russo-Chinese transition as a source of conflict. Careful not to draw too close a parallel to the German-British episodes in the first half of the twentieth century, he posits similar tensions.<sup>74</sup> Identities conflict between West and East and the peoples have little in common, and he contends that the “two peoples continue to regard each other as alien.”<sup>75</sup> Russia and China have recently maintained close ties to each other to prevent U.S. encirclement. China realizes, however, that Russia is European and that Russia’s poor internal governance ultimately makes it an unreliable partner. He assiduously adds, “A crucial part of the context for the Russia/China relationship is that, for both countries, the importance of relations with the West heavily outweighs their relations with each other.”<sup>76</sup> This closely follows the realist assumptions underpinning this study.

Russian and Chinese elites also share ideological ground as well. Brenton also keenly highlights this common ground as well: “Maintenance of domestic control and territorial integrity is a shared core obsession.”<sup>77</sup> Russia and China make comparisons between U.S. meddling in Georgia and Ukraine with that in Taiwan and the South and East China Seas. They have therefore maintained close policies on Taiwan, Chechnya, Tibet, Xinjiang, Georgia.<sup>78</sup> They are not lockstep, however, as evidenced by differing

---

<sup>72</sup> Lo, *Axis of Convenience*, 4.

<sup>73</sup> Lo, *Axis of Convenience*, 5.

<sup>74</sup> Brenton, “Russia and China,” 232.

<sup>75</sup> Brenton, “Russia and China,” 238.

<sup>76</sup> Brenton, “Russia and China,” 239.

<sup>77</sup> Brenton, “Russia and China,” 240.

<sup>78</sup> Brenton, “Russia and China,” 240.

views on South Ossetia and Abkhazia and Russian neutrality on the South China Sea.<sup>79</sup> For the time being, Russia and China will likely accommodate each other, but only as long as it is to both their advantages.

### **Russia - Prognosis**

The future of Russia, the U.S., and China probably lies in studying the great power politics of yore. Long-term differences, antipathy, and distrust will likely preclude very close U.S.-Russian relations. Ties to the West, however, creating a more European Russia, are more conceivable. In both the short and longer terms, the power disparity between Russia and China is likely to grow. China will continue to outpace Russia economically and militarily, though Russia will retain power in its historical sphere of influence. Until the U.S. and China feel more secure in their own balance, each should accommodate Russia.

The underlying assumption of this paper is that China's growth continues unabated until it reaches parity with the United States. Nothing, however, indicates that Russia will make any such move towards parity itself. In fact, Russia's economic clout will remain based on its extractive industries. Structural changes may make progress, but culture will be more difficult to change. Unfavorable demographics will reduce the chances that Russia's economy will radically resuscitate. Economic influence in Central Asia will persist as its historical allies balance against becoming clients of China. Russia itself will manage this same threat by adjusting its ties with Europe accordingly.

They are likely to move even further away from each other militarily as Chinese might increases. There is little doubt that Russia and China are closer than Russia and the U.S., but that does not imply that the Russian and Chinese military interests are close. Lo accurately observes that Chinese "Communist leadership has few illusions that Moscow would offer more than moral-political support in the event of a major crisis in China's relations with the United States, such as Taiwan."<sup>80</sup> Russia's eastern exercises in 2010

---

<sup>79</sup> Brenton, "Russia and China," 241.

<sup>80</sup> Lo, *Axis of Convenience*, 15.

demonstrated that it remains ready to defend its influence in its own far eastern provinces.<sup>81</sup> Reduced armaments trade further delinks the two military complexes. As China's conventional military becomes nominally more capable and modern than Russia's, there is a particular chance of more pointed great power rivalry, though accommodation is more likely. Russian military intervention in Ukraine will also set its military at odds with the west as well. A growing China will focus on the U.S. and Asian U.S. allies, hoping to appease a weaker Russia on its flank. Russia will look both East and West, looking to prevent any encroachment on its sphere of influence.

### **Russia - Implications for a new bipolarity**

Russia will seek to reap the advantages of U.S.-Chinese tension to maximize its own great power status. Avoiding insecurity drives Russian policy so it will avoid resource-sapping conflict with either the U.S. or China. As a balancer, however, it will use its well-honed diplomatic skills to maintain influence in its near abroad. It recently calculated that securing its long-term interests in Ukraine were worth any response it may draw. This is because Westward-looking Russia remains intertwined with Europe.

Russia derives much of its power to influence the West from its petroleum exports to Europe. Inducing gas shortages is a tested model for European coercion. America can possibly help Europe by exporting its newfound petroleum resources, obtained by fracking, to its Atlantic neighbors, but not in the short term and not easily.<sup>82</sup> Additional help would be needed to free Europe from the influence of Russian energy resources, but may take a decade. It is also crucial to consider that Russian power is not unlimited in this regard. Shutting off petroleum exports to the West is not a long-term solution since they make up more than two-thirds of its exports and fund more than half of its annual budget.<sup>83</sup> As *The Economist* explained considering the Russia's use of petroleum as a weapon: "Even with \$475 billion in foreign-exchange reserves, the Kremlin cannot

---

<sup>81</sup> Brenton, "Russia and China," 244.

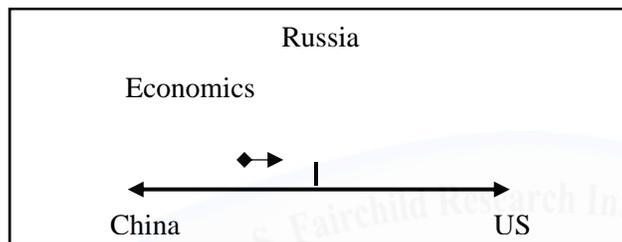
<sup>82</sup> "Conscious Uncoupling," *The Economist*, April 5, 2014, <http://www.economist.com/news/briefing/21600111-reducing-europes-dependence-russian-gas-possible-but-it-will-take-time-money-and-sustained>.

<sup>83</sup> "Conscious Uncoupling."

continue to run Russia's ramshackle and uncompetitive economy without its most important export revenues."<sup>84</sup>

More importantly, however, Russia will realize that it has a lot more to fear from a growing China than America. Russia will see the specter of American bogeyman in every liberal movement in its periphery, but must realize that norms of free trade and rule of law are more likely to protect it from Chinese predation than becoming a Chinese vassal. Attaching its economic fate to a rising China would likely be too much to bear for its European identity. Current policy aims at avoiding just that fate. Even worse than economic predation, Russia may ultimately come to fear physical predation.

**Figure 2: Russia - Economics**



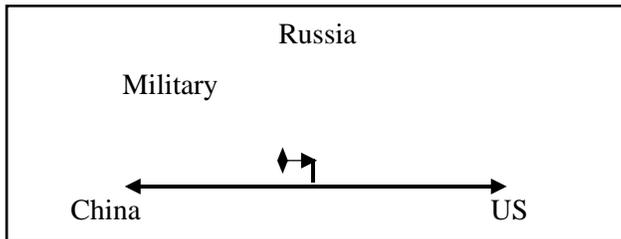
*Source: Author's Original Work*

There is little to suggest that Russian security interests will draw closer to a more powerful China's. If Russia struggles to modernize and reform as expected, it will soon come to terms with an unfavorable balance of military power to match the unfavorable economic balance to its Southeast. Russia will not be able to ignore the fact that if China is interested in righting historical wrongs along its seaward flank, it will not likely forget the unequal treaties on its landward flank. Nothing currently suggests that this is a goal of China's peaceful rise, but Russia nonetheless is unlikely to trust a powerful, adjoining irredentist neighbor. Further, indigenous defense production will make China a competitor in the global arms market, not a customer. A more powerful, therefore more threatening China, will peak Russian insecurities with or without malice. This leaves opportunities for America. Recent events in Ukraine, however, make any such cooperation even more difficult. As China grows toward bipolarity, Russia will move to balance each of their influences.

---

<sup>84</sup> "Conscious Uncoupling."

**Figure 3: Russia - Military**

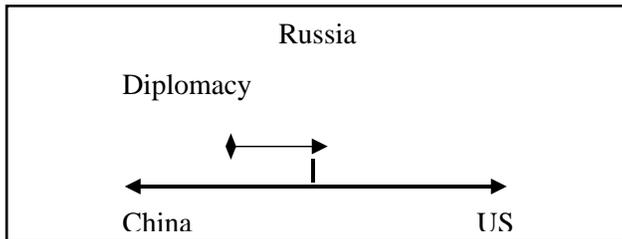


*Source: Author's Original Work*

America does not have to be Russia's friend, but it must avoid being its enemy. If America is going to try to maintain the norms it established as hegemon, it will reinvest in international consensus and international institutions. Russia, seeking to maintain its great power status, will oblige by participating in the UN, G8, G20, and WTO. Participating does not mean acquiescing to American policies, but it will especially support the norms that it finds useful. The U.S. must also avoid provoking Russian insecurity by unilateral, or NATO, action in Russia's near abroad. Knowing that the U.S. is focusing on the Pacific, Russia will likely push the boundaries of international norms to maintain prominence in its own periphery. Support to autocratic regimes, or resistance to liberal regimes, should be expected in Central Asia. This will also likely be the price of joint efforts to contain terrorism.

Russia is an elite player in the Great Game. It will continue to try to play at a high level. Neither the U.S. nor China will likely draw Russia into its camp. Russia is closer to China now because it was a useful balancer against a hegemonic U.S.. Russia will not provoke China, but will shepherd its power to insure against Chinese encroachment on its sphere of influence. As benign as China can be toward Russia, however, any irredentist claims in the Pacific will feed insecurity in a distrusting Russia. Russia is therefore the U.S.'s game to lose. America will be useful as a balancer against Chinese encirclement, but still not a friend.

**Figure 4: Russia – Diplomacy**



*Source: Author's Original Work*



## Chapter 4

### Brazil

*An activist foreign policy would inevitably encounter 'acidentes de percurso': accidents along the way. The United States had the wealth and power to absorb such accidents. Brazil did not.*

- Azeredo da Silveira, Brazil's Foreign Minister, 1975

### Overview

Brazil is an important regional power, but not a Great Power. It is far and away the largest and most populous state in South America. In the Americas, it is second only to the U.S. in the size of its economy, outpacing both Canada and Mexico. Vast resources and a large population enabled significant growth over the last decade. After this period of strong growth, however, its economy has slowed to a steadier pace. Economic structural limitations including high taxes, demography, inflation, poor infrastructure, crime, and corruption are all challenging a return to higher growth. Militarily, Brazil is not a world power, but still secure. It enjoys a large size differential with much smaller neighbors and relative isolation from the other Great Powers. Resource and internal security are greater concerns. Its current democracy is approaching three decades old after a peaceful transition from a military regime. Brazil's inefficiencies and inequality, however, are meeting the world stage as it will host the 2014 World Cup and 2016 Summer Olympics. Brazil seeks recognition as a great power, but also maintains a sense of vulnerability as a still-developing country.

This chapter examines Brazil's potential role in great power politics. Its geographic proximity and existing relationships make it more significant to the U.S. than China. As Brazil has no existential security concerns, however, it exercises a Southern worldview often at odds with an American-led international system. It is open to both U.S. and Chinese economic interests, but cooperation and competition are important factors with both. If prudent, Brazil should be able to capitalize on relative economic size to extract gains from any U.S.-Chinese competition. Translating newly built military power into prestige in the international system will be difficult considering a very long

history of conciliation. Brazil should be expected to contribute to global norms in some policy areas like the environment and development. It should not again try to punch above its weight, sidestepping the Great Powers, brokering deals with Iran in the Middle East. Though characterized by mutual mistrust, the U.S. could best enhance its Brazilian relationship through their many shared interest areas.

## **Economy**

Brazil's economy is essential to its status as an aspiring great power. In sum, its economy is not particularly dynamic. It is now seventh in world GDP rankings at \$2.12 trillion (2012), but experiencing a slowdown in growth. After the impact of the global financial crisis in 2008-2009, it surged to over 7 percent growth in 2010 then fell back to an average near 3 percent. Brazil's massive size and resources make it a world economic power, but internal dynamics and structural limitations hamper its economy. Chronic underinvestment in infrastructure coupled with corruption makes for inefficient resource utilization. Brazil largely missed a demographic dividend and is now facing the consequences of over-generous social spending for too many pensioners. Fortuitously, however, commodity development and rising prices buoyed the economy over the last decade. U.S. FDI in Brazil is currently ten times that of China.<sup>1</sup> China, however, passed the U.S. as Brazil's leading trade partner in 2009.<sup>2</sup> In the U.S.-China-Brazil economic relationship, Brazil is a significant third wheel. The individual relationships are quite different, however.

Brazil's economy is large, but not entirely vibrant. Decades of economic difficulties from the 1970s oil shocks, to hyperinflation of the 1980s and 1990s, led subsequent Brazilian leaders to value stability over growth. As it emerged from military rule in the 1980s, governments locked in quality-of-life programs above its means. By 1994, annual inflation peaked at an astronomical 2,100 percent.<sup>3</sup> Government spending as a share of GDP climbed from nearly 20 percent in the 1980s to nearly 40 percent by

---

<sup>1</sup> "Brazil: Staff Report for the 2013 Article IV Consultation," 8, accessed February 5, 2014, <http://www.imf.org/external/pubs/cat/longres.aspx?sk=40999.0>.

<sup>2</sup> Ruchir Sharma, *Breakout Nations: In Pursuit of the next Economic Miracles*, 1st ed (New York: W.W. Norton & Co, 2012), 61.

<sup>3</sup> Sharma, *Breakout Nations*, 62.

2010.<sup>4</sup> Guarantees on healthcare, university education, and a high minimum wage mean that Brazil's taxation levels are equivalent to those in much more mature economies, stifling productivity and efficiency. Protectionist trade policies reflect this caution. Even as the world's largest exporter of commodities, only 15 percent of GDP derives from imports and exports.<sup>5</sup> Economic growth is structurally limited.

According to the *Economist Intelligence Unit*, Brazilian GDP will continue to grow at an average of 3.2 percent from now until 2030.<sup>6</sup> This estimate assumes that announced reforms and infrastructure improvements will continue. Higher growth is possible if policy, especially ease of doing business, improves more than expected.<sup>7</sup> Brazil continues to experience the effects of inflation, though it is under much tighter control than two decades ago. The IMF predicts that it is currently falling and will remain around 5.75 percent in the near future.<sup>8</sup> Constraints on domestic supply and the tight labor market, however, place this control at risk.

Lower, more stable growth is better for Brazil. Counterintuitively, a lower growth rate may actually protect Brazil from the threat of renewed inflation imposed by its structural limitations. Ruchir Sharma points out that Brazil is hitting these structural limits on every front. Poor infrastructure cannot cope with high growth because supply will not keep up with demand, driving up prices. Shortages of highly-skilled workers also force prices higher. When businesses' demands always exceed their supplies, customers pay a premium. Sharma concludes that while capacity puts a brake on the Chinese economy at 8 percent GDP growth, Brazil's upper limit remains at 4 percent.<sup>9</sup> Because of this limit, Brazil carefully manages its exposure to the outside world.

Brazil is highly globally integrated, but simultaneously an emerging market, and carries the risks associated with both. It is highly reliant on foreign saving and highly integrated into global financial markets, which means it will feel the effects of future

---

<sup>4</sup> Sharma, *Breakout Nations*, 63.

<sup>5</sup> Sharma, *Breakout Nations*, 63.

<sup>6</sup> "Summary," accessed February 20, 2014, <http://country.eiu.com/article.aspx?articleid=430880227&Country=Brazil&topic=Economy&subtopic=Long-term+outlook&subsubtopic=Summary>.

<sup>7</sup> "Summary."

<sup>8</sup> "Brazil: Staff Report for the 2013 Article IV Consultation," 18.

<sup>9</sup> Sharma, *Breakout Nations*, 64–66.

global shocks.<sup>10</sup> Rising and falling with the global tide, especially with the recent misfortunes of the U.S. and Europe, can limit growth, but is better than total isolation. Despite this integration, however, Brazil ranked most protectionist of the top 20 world economies in a study by the International Chamber of Commerce (a lobby group).<sup>11</sup> Its relatively poor performance in the global ease-of-doing-business rankings, discussed below, bear this out. Even with these restrictions, however, commodity exports are driving the Brazilian economy.

As the world's leading exporter of sugar, orange juice, coffee, poultry, and beef, Brazil is reaping the benefits, but also feeling the more deleterious effects of surging commodity prices.<sup>12</sup> Major oil discoveries now also place it in the top ten in terms of global oil reserves. Iron ore and steel further increase Brazilian exports. The flow of money into Brazil makes currency, the real stronger and makes all other Brazilian exports more expensive. Manufacturing suffers as it becomes less expensive to import cheaper foreign goods. Sharma points out that Brazilian governments engage in endless battles for stable inflation, interest rates, and a competitive currency. The commodity surge, however, means that Brazil is an exceedingly expensive place to live, work, and visit.

In part of its Special Report on Brazil, *The Economist* highlights the *custo Brasil*.<sup>13</sup> The "Brazil cost" is the premium paid for goods and services that makes it "astonishingly poor value for money."<sup>14</sup> High and complex taxes, the high freight charges of poor infrastructure and high crime all add to prices. In *Breakout Nations*, Ruchir Sharma, describes that "when a country is pricing itself out of the competition, you can feel it on the ground."<sup>15</sup> Brazilian restaurants, hotels, and property are more expensive than equivalents in Paris, London, and New York. Examining Brazil's population and productivity highlights the aforementioned limits of capacity on productivity.

The Brazilian labor pool is a source of both strength and weakness. Brazil is currently experiencing the tail end of a demographic bonus. As birthrates fell since the

---

<sup>10</sup> "Brazil: Staff Report for the 2013 Article IV Consultation," 23.

<sup>11</sup> "Special Report: Brazil," *The Economist*, September 28, 2013, 8, <http://www.economist.com/news/special-report/21586667-having-come-tantalisingly-close-taking-brazil-has-stalled-helen-joyce-explains>.

<sup>12</sup> Sharma, *Breakout Nations*, 63.

<sup>13</sup> "Special Report: Brazil," 5.

<sup>14</sup> "Special Report: Brazil," 5.

<sup>15</sup> Sharma, *Breakout Nations*, 59.

1970s, the country's workforce has become a larger percentage of its population. *The Economist* describes:

...a magic moment when it should be able to grow fast, enjoy higher incomes and still have plenty left over to invest. By the time the bulge generation comes to retire, that surplus should have built schools and infrastructure to make the next cohort much more productive. The country should be rich enough to support its larger number of old folk without too much strain...Brazil has wasted this one-off opportunity.<sup>16</sup>

The Brazilian government's underinvestment on education and training and overinvestment in an extremely generous pension scheme is therefore unsustainable.

Built to expand the social privileges of a few under the military government to all, Brazil's first democratic governments did not bear in mind economic realities while crafting domestic policies.<sup>17</sup> A lack of funding for quality education despite extensive constitutional promises means that there is a lack of capacity in the high-end labor market. Though overall unemployment is low, the workforce lacks the requisite skills to advance the economy. Low unemployment should be positive, but an underprepared and unqualified workforce hampers productivity.<sup>18</sup> As the petroleum industry expanded, for example, it forced the Brazilian government to add more foreign workers to make up for this lower productivity. Although the Brazilian government successfully increased work permits for foreign petroleum workers by 25 percent to cope with the current boom, this directly countered its efforts to locally-source production efforts (explored later in more detail).<sup>19</sup> Additionally, the IMF found that as the labor pool's expansion slows, both capital accumulation and productivity will need to make up the difference.<sup>20</sup>

Demographic and education problems underlie the larger problem of low productivity.

Low productivity is at the heart of Brazil's limited economic growth rates and recent economic slowdown. Between 1980 and 2008, Brazil's productivity gains paled in comparison to much of the developing world at only 0.2 percent annually (China

---

<sup>16</sup> "Special Report: Brazil," 12.

<sup>17</sup> "Special Report: Brazil," 12.

<sup>18</sup> Sharma, *Breakout Nations*, 65.

<sup>19</sup> "Reverse the Curse: Maximizing the Potential of Resource-Driven Economies | McKinsey & Company," 66, accessed February 5, 2014, [http://www.mckinsey.com/insights/energy\\_resources\\_materials/reverse\\_the\\_curse\\_maximizing\\_the\\_potential\\_of\\_resource\\_driven\\_economies](http://www.mckinsey.com/insights/energy_resources_materials/reverse_the_curse_maximizing_the_potential_of_resource_driven_economies).

<sup>20</sup> "Brazil: Staff Report for the 2013 Article IV Consultation," 17.

averaged 4 percent, India 3 percent).<sup>21</sup> This is partly due to the aforementioned underinvestment in education. The average Brazilian student only studies for 7 years, the fewest of any middle-income country, and less than China at 8. The *Economist Intelligence Unit* estimates that labor productivity will grow at 2.2 percent until 2030.<sup>22</sup> At this rate it is unlikely that Brazilian economy will be able to substantially accelerate, barring large price increases in commodities. Even with a large price increase for commodities, however, Brazil is working to avoid the “resource curse.”

Brazil’s management of its petroleum exploitation, including laws on local content, will likely help it avoid the fate of many exploited oil-rich states. These laws affect Brazilian productivity, but also increase Brazilian economic capabilities in key sectors. Initially, laws force foreign companies to limit efficiencies by relying on underdeveloped indigenous industry. In bidding for offshore petroleum licenses, foreign companies must guarantee 65 percent local-content for its production process is Brazilian. In effect, this means that production slowed as Brazilian ship-building companies produced the required floating production, storage, and offloading (FPSO) vessels.<sup>23</sup> While potentially slowing initial production, it forced foreign companies to invest in, or at least through, Brazilian companies. Brazil successfully reached self-sufficiency for oil production in 2006.<sup>24</sup> McKinsey and Company, a consulting firm, highlighted the positive effects of this approach, citing that local-content in oil and gas exploration and production, including advanced science and engineering, actually moved from 25 percent in 1999 to 70 percent by 2007.<sup>25</sup> This is set to increase further. With local-content requirements that grow over time, the government further mandated Petrobras to achieve 95 percent by 2020.<sup>26</sup> This bodes very well for the future of Brazil’s petroleum industry over the coming decade.

Brazil’s chronic underinvestment in infrastructure continues to take a toll on the Brazilian economy. For example, where American farmers in Iowa pay 9 percent of their soya value to get it to port and on to the international market, Brazilian farmers pay 25

---

<sup>21</sup> Sharma, *Breakout Nations*, 63.

<sup>22</sup> “Summary.”

<sup>23</sup> “Reverse the Curse,” 74.

<sup>24</sup> “Reverse the Curse,” 50.

<sup>25</sup> “Reverse the Curse,” 96.

<sup>26</sup> “Reverse the Curse,” 74.

percent or more.<sup>27</sup> Against a long-run global average of 3.8 percent, Brazil only allocates 1.5 percent of GDP on infrastructure investment via both public and private sources.<sup>28</sup> Over time this has had a profound impact. Whereas the average large economy's infrastructure is worth 71 percent of GDP, Brazil's is estimated to be a minute 16 percent.<sup>29</sup> *The Economist* points out that since the Lula government came to power in 2003, a paucity of infrastructure auctions prevented private interests from developing crucial bulk-cargo terminals.<sup>30</sup> The lack of private investment is partly a result of the announced, but stalled 2007 Growth Acceleration Program. The immediacy of the upcoming World Cup and Olympic Games, however, is creating new impetus for infrastructure investment. June 2013's protestors highly criticized huge spending on athletics stadiums in lieu of other projects.<sup>31</sup> Brazil's limited infrastructure is also particularly difficult for the economy because it coincides with the expansion of its profit-making commodity exports.

The IMF's 2013 Article IV report's evaluation of structural policies highlighted attempts to solve some of these infrastructure issues. Efforts should bring private participation into infrastructure projects, including a Public-Private Partnership model for railroads and should generate large capital investments. The report cites that Brazil expects new investments of R\$159 billion (\$73 billion) over the next five years, which is the equivalent of 3 percent of GDP.<sup>32</sup> China is particularly involved in some of these projects. Further, the renegotiation of utility contracts by the Brazilian government decreased industrial sector energy costs by 18 percent in 2013.<sup>33</sup> Infrastructure is not the only problem for Brazil's economy though.

A combination of physical and legal problems hinders trade. In the World Bank's *Doing Business 2013*, Brazil ranks 124 of 189 countries in ease of trading across its borders.<sup>34</sup> As previously mentioned, experts consider taxation very high for Brazil's level

---

<sup>27</sup> "Special Report: Brazil," 9.

<sup>28</sup> "Special Report: Brazil," 9.

<sup>29</sup> "Special Report: Brazil," 9.

<sup>30</sup> "Special Report: Brazil," 10.

<sup>31</sup> "Special Report: Brazil," 11.

<sup>32</sup> "Brazil: Staff Report for the 2013 Article IV Consultation," 13.

<sup>33</sup> "Brazil: Staff Report for the 2013 Article IV Consultation," 13.

<sup>34</sup> World Bank and International Finance Corporation, *Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises*, Doing Business 2013 (Washington, D. C: World Bank : International Finance Corporation, 2013), 77.

of development.<sup>35</sup> Cited as between 36 and 38 percent of GDP, its taxation significantly outpaces its level of development.<sup>36</sup> Payroll taxes stand at 58 percent, placing them higher than any other big economy.<sup>37</sup> *The Economist* provides the example of consumption taxes as well: A Brazilian-made car costs 45 percent more in Brazil than in Mexico and a tax-tariff combination ensures that foreign vehicles draw a 65 percent markup.<sup>38</sup> Bureaucracy further ensures that tax compliance is difficult and time consuming as well, at a massive ten times the global average.<sup>39</sup> With such a deep bureaucracy and high levels of government spending, it is not surprising that many work around the legal restrictions to increase profits.

Crime and corruption is as major a problem as it is in many developing economies. Crime, discussed in more detail later, necessitates the utilization of private security firms. The cost of these 650,000 security guards must be rolled into the costs of goods and services.<sup>40</sup> Brazil also contends with a long history of corruption. An in-depth study edited by Timothy Power and Matthew Taylor from the Universities of Oxford and Sao Paulo, respectively, shows that “in the course of the past century, political corruption has frequently been a focal point of Brazilian politics.”<sup>41</sup> This has remained a “consistent political theme of political life under the post-1985 democratic regime.”<sup>42</sup> Much of this is due to poor institutions which hamper the functioning of the rest of the system.

The large bureaucracy spawned by a large government, which deals in high taxes and large handouts, is its own enemy but reforms are underway. Power and Taylor point to both the weakness of individual agencies and the frictions and problems of institutional interaction in contributing to and being unable to deal with the problem.<sup>43</sup> The same slow judiciary which hinders the business climate also hinders prosecuting graft. Today, an astonishing one-third of congressmen face criminal allegations, many for offenses

---

<sup>35</sup> Sharma, *Breakout Nations*, 63.

<sup>36</sup> “Special Report: Brazil,” 5; Sharma, *Breakout Nations*, 63.

<sup>37</sup> “Special Report: Brazil,” 5.

<sup>38</sup> “Special Report: Brazil,” 5–6.

<sup>39</sup> “Special Report: Brazil,” 6.

<sup>40</sup> “Special Report: Brazil,” 6.

<sup>41</sup> Timothy J. Power and Matthew MacLeod Taylor, eds., *Corruption and Democracy in Brazil: The Struggle for Accountability*, From the Helen Kellogg Institute for International Studies (Notre Dame, Ind: University of Notre Dame Press, 2011), 250.

<sup>42</sup> Power and Taylor, *Corruption and Democracy in Brazil*, 251.

<sup>43</sup> Power and Taylor, *Corruption and Democracy in Brazil*, 252–258.

including purchasing votes, bribery, and embezzlement.<sup>44</sup> Laws are changing, however, as the public is less accepting. Civil society groups are flourishing, protestors have taken to the streets, and both are making a difference albeit incrementally.<sup>45</sup> Most recently, 2014 is the first year in which convicted candidates will actually be barred from the elections for a period of 8 years, an overdue reform.<sup>46</sup>

None of this is new, however. McKinsey & Company also identified similar factors half a decade ago. Its March 2007 study of the Brazilian economy, before the 2008 financial crisis, found that lack of labor productivity was the major impediment to improved economic performance.<sup>47</sup> Further, it found that two-thirds of the productivity gap came from “a huge informal economy (and inappropriate regulations that make it costly for companies to enter the formal economy), macroeconomic instability, inefficient public services, and an inadequate infrastructure.”<sup>48</sup>

Brazil, however, is a large market and has many success stories. Brazilian agriculture and aerospace manufacturing industries are flourishing on the world market. Farming began with the military regime’s investment in agricultural research during the 1970s, Embrapa, which paid huge dividends. Previously non-arable lands became a breadbasket with modern farming technology and with comparatively low protection compared to the manufacturing sector.<sup>49</sup> It is now the world’s largest producer of protein foods.<sup>50</sup> Further, agriculture can be common ground for the U.S. and Brazil. The U.S. State Department hails that “as the world’s largest biofuels producers, the United States and Brazil have worked together to help make sustainable biofuels a global commodity.”<sup>51</sup> Embraer is also the world’s third largest aircraft producer after Boeing and Airbus.<sup>52</sup> It manufactures several successful military and commercial aircraft families including the Tucano and the ubiquitous Regional Jet. This aerospace industry brings it

---

<sup>44</sup> “Special Report: Brazil,” 15.

<sup>45</sup> Power and Taylor, *Corruption and Democracy in Brazil*, 268–273.

<sup>46</sup> “Special Report: Brazil,” 15.

<sup>47</sup> “Five Priorities for Brazil’s Economy | McKinsey & Company,” accessed February 5, 2014, [http://www.mckinsey.com/insights/south\\_america/five\\_priorities\\_for\\_brazil](http://www.mckinsey.com/insights/south_america/five_priorities_for_brazil).

<sup>48</sup> “Five Priorities for Brazil’s Economy | McKinsey & Company.”

<sup>49</sup> “Special Report: Brazil,” 8.

<sup>50</sup> Luigi R. Einaudi, “Brazil and the United States: The Need for Strategic Engagement,” 4.

<sup>51</sup> Bureau of Public Affairs Department Of State. The Office of Website Management, “Brazil,” Press Release|Fact Sheet, *U.S. Department of State*, October 3, 2013, <http://www.state.gov/r/pa/ei/bgn/35640.htm>.

<sup>52</sup> Luigi R. Einaudi, “Brazil and the United States: The Need for Strategic Engagement,” 4.

into technological coordination and contact with militaries and national aviation industries around the world, including in the U.S. and China. Despite the high prices, Brazil is also the world's fourth largest car market.<sup>53</sup> The aforementioned protectionist policies are promoting local-sourcing in the automobile industry as well, as foreign firms like BMW and China's JAC Motors pay for access.<sup>54</sup> Some healthy sectors, however, can hide the fact the Brazil is still a developing economy with significant social issues.

Brazil's recent economic success has also helped it cope with endemic poverty and inequality, but much work remains. Though inequality has reached a 50-year low, it is still one of the top ten most socially unequal countries in the world.<sup>55</sup> Between 1995 and 2008, extreme poverty halved to 10.5 percent of the population, yet this is still high.<sup>56</sup> Over the same period, absolute poverty dropped by a third to 28.8 percent, also high by developed-world standards.<sup>57</sup> This inequality, amongst other issues, manifested itself in huge protests in June 2013. Social issues have played a part in the U.S.-Brazil relationship, and therefore economic relationship for decades. Recent progress and government commitments make Brazil a more attractive trading and investment partner now, however.

Brazil has important economic relationships with both the U.S. and China, but links with China have grown more quickly recently. China is now Brazil's largest trading partner, while the U.S. follows second ahead of Argentina.<sup>58</sup> Brazil is a net exporter to China, as it exports commodities, but imports cheaper Chinese manufactured goods. This balance of trade is now raising the ire of some Brazilian industries.<sup>59</sup> It has regular trade rows with America, but also has concerns about Chinese imports and monetary policy.

Brazil actively protects its indigenous industry and economy. The U.S., which also does so to a lesser extent, is sometimes involved in international rows over these restrictions. In 2010, the WTO authorized Brazil to use retaliatory tariffs against U.S. products due to U.S. cotton subsidies. The U.S. subsequently agreed to measures to import Brazilian beef, avoiding the tariffs. This is in line with a Brazilian perception of

---

<sup>53</sup> "Special Report: Brazil," 9.

<sup>54</sup> "Special Report: Brazil," 9.

<sup>55</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 2013, 159.

<sup>56</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 159.

<sup>57</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 159.

<sup>58</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 195.

<sup>59</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 191–192.

American protectionism against its exports including ethanol, beef, cotton, orange juice, and aircraft.<sup>60</sup> The U.S. also actively encourages Brazilian investment in the United States, which has grown rapidly.<sup>61</sup> According to the State Department, “In 2012, Brazil was named one of ten countries for the SelectU.S.A pilot program to attract foreign investment to the United States.”<sup>62</sup> Brazil also generally sides with the U.S. on concerns over China’s exchange rate policies, however, but falls short of direct criticism.<sup>63</sup> The U.S. and Brazil continue to trade despite decades of conflict, but the Chinese relationship is untested.

As the largest South American state, Brazil exercises economic coordination and leadership multilaterally. It is active in the WTO, IMF, G8, and G20, amongst other international and regional organizations. Brazil provides leadership to Mercosur and the Union of South American Nations, both discussed below. Though all of these consider economic subject matters, this study will discuss international organizations under Diplomacy due to the multidimensional nature of most policies.

A delicate mix of policies keeps the Brazilian economy moving in a positive direction. This can continue, but structural issues will prevent substantial acceleration. Reforms are needed across a wide range of government-managed activities to improve the business climate. The government must accomplish this while protecting a still developing economy and attempting to reduce inequality. The U.S. and China are both important to Brazil, but its leadership and people mistrust America and somewhat fear China’s style of economic interaction. Balancing the two relationships, while upsetting neither, seems to be the way forward for a growing, but risk-averse Brazilian economy.

### **Brazil - Military**

Brazil’s military power is currently regional, but with ambitions for a more international capability. As the size of its economy increased, it commensurately increased its defense budget, maintaining an average of around 1.5 percent of GDP. In

---

<sup>60</sup> IHS Jane’s, *IHS Jane’s Sentinel Country Risk Assessments South America 2013*, 194.

<sup>61</sup> Department Of State. The Office of Website Management, “Brazil.”

<sup>62</sup> Department Of State. The Office of Website Management, “Brazil.”

<sup>63</sup> IHS Jane’s, *IHS Jane’s Sentinel Country Risk Assessments South America 2013*, 192.

real terms, it increased from \$25B to \$37B since 2000, allowing for significant upgrades. It dwarfs any of its neighbors at five times its nearest competitor, Colombia. With a large territory and widely spread natural resources, internal security is a major mission. Since its fundamental security problems are internal, however, this study reviews them only briefly, and focuses on their international dimensions. As transnational crime and drug smuggling are major concerns, however, they create common interests with other states. Moves to increase power projection capability are more important, however, but must be considered with an understanding of Brazil's history of conciliation. As will be reviewed in more detail under Diplomacy below, it also aspires to a permanent seat on the United Nations Security Council as part of its desire for Great Power recognition.

Despite the lack of direct military conflict in South America, Brazil has historically deployed its armed forces only for border security. Since a 2006 doctrine rewrite, deployments to the Venezuelan, Paraguayan, and Bolivian border areas replaced deployments to the Colombian border.<sup>64</sup> More importantly, forces are now focusing on maintaining sovereignty over the remote Amazon region and its newly found offshore oil deposits.<sup>65</sup> Since 2010, the government increasingly asked the military to act in an internal security role in heavily populated *favelas* (slums).<sup>66</sup> While these type of operations are important to the state, they are less important on the world stage. In terms of international power and legitimacy, advanced power projection capabilities are more relevant.

Brazil last deployed for major combat operations when it dispatched an entire Army division in support of Allied operations in Europe during World War Two.<sup>67</sup> Since, it has generally committed small numbers of troops to peacekeeping missions around the world. Showing more aspiration for leadership in 2004, it led the UN force deployed to Haiti with 1,500 troops.<sup>68</sup> Current Army reorganization seeks to increase capabilities by focusing on standing up enhanced jungle warfare capabilities.<sup>69</sup> The 2010 National Defense Law further assigned new border patrol and resource protection capabilities to

---

<sup>64</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 199.

<sup>65</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 199.

<sup>66</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 199.

<sup>67</sup> Lawrence T. Brown, "Brazil-U.S. Relations," *JFQ: Joint Force Quarterly*, no. 69 (Quarter 2013): 43.

<sup>68</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 205.

<sup>69</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 203.

the Air Force and Navy. Since 2011, it executed the *Ágata* series of internal security operations, culminating in *Ágata 7* involving over 25,000 troops from the armed and security forces.<sup>70</sup> These operations focused on combating drug trafficking, weapons smuggling, and other illegal activities in the regions bordering Paraguay and Argentina. Armed policing of the *fabelas* also seeks to break up organized crime in the cities. No doubt these internal security capabilities will be at a premium during the World Cup and Olympic Games. While regionally significant, however, current forces are not optimized for the power projection expected by a great power.

Future procurement and plans, however, seek to ameliorate this deficiency. The Air Force is upgrading its legacy fighter and attack aircraft fleet to deliver beyond-visual-range and precision weapons. It also recently announced the conclusion of the long-stalled FX-2 procurement competition between the French Rafale, American F-18, and Swedish Gripen. Initiated in 1999, Dilma Rousseff finally directed the procurement of the Gripen, the least expensive of the three, in early 2014.<sup>71</sup> Further, Embraer is committed to building the KC-390, a C-130-size airlifter for a full range of air mobility operations. Notably, Boeing has signed onto the project for marketing in the U.S., UK, and selected Middle-Eastern countries.<sup>72</sup> The ability to transport and provide precise support is a major force upgrade.

The Brazilian Navy is likely procuring the most internationally significant capability as part of its 26-year long modernization effort. Increased manpower, new amphibious units, nuclear submarines, and light aircraft carrier fleet all will make significant upgrades to capabilities.<sup>73</sup> Some of these components will form a second fleet in the immediate vicinity of the Amazon River basin with the intention of expanding its Exclusive Economic Zone to the full 200 nm limit, or further.<sup>74</sup> In 2012, it also reinitiated its program to develop an indigenous nuclear-powered attack submarine with French

---

<sup>70</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 204.

<sup>71</sup> "Brazil Picks Sweden's Gripen Fighter Jet," *Defense News*, accessed February 25, 2014, <http://www.defensenews.com/article/20131218/DEFREG02/312180027/Brazil-Picks-Sweden-s-Gripen-Fighter-Jet>.

<sup>72</sup> "Boeing, Embraer Ink Limited KC-390 Marketing Deal," accessed February 25, 2014, [http://www.aviationweek.com/Article.aspx?id=/article-xml/awx\\_06\\_18\\_2013\\_p0-589350.xml](http://www.aviationweek.com/Article.aspx?id=/article-xml/awx_06_18_2013_p0-589350.xml).

<sup>73</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 222.

<sup>74</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 222.

assistance.<sup>75</sup> The analysts of IHS Jane's assess that Brazil will be able to project power throughout Latin America and West Africa by 2020.<sup>76</sup>

The major difference between Brazil and the other nations considered in this study is the lack of strategic weapons. It has none of any kind and gave up their development in 1988. It is now a longtime advocate of non-proliferation in Latin America and beyond, possessing no nuclear weapons, short-, medium-range, or intercontinental ballistic missiles.<sup>77</sup> With its high-level of technology and civil nuclear program, however, it could likely deploy medium-range nuclear weapons in just a few years.<sup>78</sup> Cyber and space-borne capabilities are growth areas, but not viewed in a similar vein to long-range strategic weapons.

Some question the utility of developing power projections capability, however. João Fábio Bertonha examined whether Brazil's martial development will help or hurt Brazil's power on the world stage. He found that:

The Brazilian problem is that for many reasons (including the country's relative safety due to its geographic isolation and having few great rivals in the region) security and defense issues have never received proper attention and the armed forces have never had significant capacity for the projection of power in the 21st century, which has inevitably meant that the international issues have been left to the diplomats.<sup>79</sup>

He points out that this is partly because of the low relevance of the continent in strategic terms.<sup>80</sup> Globalization, oil, and the Amazon, have changed this equation. He therefore concludes that Brazil's military development does not abrogate its peaceful stance, but must account for a realist international system: "Actually, the discourse, the rhetoric and good intentions are not enough to bring equality to the powerless, which is the main problem."<sup>81</sup>

---

<sup>75</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 241.

<sup>76</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 200.

<sup>77</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 252.

<sup>78</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 252.

<sup>79</sup> João Fábio Bertonha, "Brazil: An Emerging Military Power? The Problem of the Use of Force in Brazilian International Relations in the 21st Century," *Brasil: Uma Potência Militar Emergente? O Problema Do Uso Da Força Nas Relações Internacionais Do Brasil No Século 21*. 53, no. 2 (December 2010): 111.

<sup>80</sup> Bertonha, "Brazil," 111.

<sup>81</sup> Bertonha, "Brazil," 114.

As part of the Union of South American States (UNASUR), Brazil is committed to wider and deeper South American defense integration through the South American Defense Council (SADC). At a 2013 meeting, Alfredo Forti, director of the Council, explained promotion of a regional defense strategy "to protect natural resources, reduce technological dependence and face possible threats."<sup>82</sup> Further, according to the UNASUR Press in February 2014, the Council approved the creation of a South American Defense College, "in order to train civilian and military of the region's political and strategic security."<sup>83</sup> It is as yet unclear, however, how UNASUR or SADC integration will proceed based on the tendency for South American rhetoric to outpace actual integration (discussed further under Diplomacy below).

The Brazilian military also cooperates with the other great powers where it gains expertise in its new mission areas. Flying newly upgraded American Lockheed P-3AM Orion maritime patrol aircraft (MPA), it contributed to a NATO exercise for the first time in 2013. During a two-week deployment, it flew from RAF Lossiemouth, Scotland, with MPAs from Canada, France and the U.S.<sup>84</sup> Brazil also participated in U.S. Naval exercises in the Atlantic. Shared interests in protecting maritime resources and combatting smuggling are natural common interest areas for American and Brazilian defense cooperation.

Brazil has a connection to the Al Qaeda threat as well, peaking America's interest. One of the lesser-known potential safe-havens for Islamic extremists is the Tri-Border Area between Brazil, Argentina, and Paraguay.<sup>85</sup> In 1992 and 1994, Hezbollah attacked Argentinian interests with support from this area.<sup>86</sup> There is also evidence of a narco-terrorist connection between Brazil and West Africa as cocaine passes from Latin America to Al Qaeda in the Islamic Maghreb.<sup>87</sup>

---

<sup>82</sup> "Unasur," accessed February 27, 2014, <http://www.unasur.org/inicio/centro-de-noticias/archivo-de-noticias/unasur-aprob%C3%B3-la-creaci%C3%B3n-de-la-primer-escuela-suramericana-de-defensa-de-la-regi%C3%B3n>.

<sup>83</sup> "Unasur."

<sup>84</sup> "Brazilians Learn Lessons from Their First NATO Exercise," *Aviation Week & Space Technology* 175, no. 14 (April 29, 2013): 14–14.

<sup>85</sup> Brown, "Brazil-U.S. Relations," 46.

<sup>86</sup> Brown, "Brazil-U.S. Relations," 46.

<sup>87</sup> Brown, "Brazil-U.S. Relations," 47.

Brazil's military power is growing, but will remain regional as the international system becomes more bipolar. Unlike Russia or India, however, it is not in military competition with either the U.S. or China. It is regionally important, and seeks to solidify connections in West Africa. It will be more secure in Latin America and also more able to contribute to international operations. It will not, however, be able to challenge American military hegemony directly in Latin America in the near- or medium-term, which some perceive to be the real threat. Lack of strategic weaponry will continue to hinder its power on the international stage, including its desire to join the Security Council, until its conventional forces become fully modern. Its newfound power projection will indirectly compete with America for influence and prestige by being first on the scene and competent in dealing with Latin America problems. Brazil then is growing its military power commensurate to its image as the natural leader of Latin America, particularly of South America. Brazil will not threaten the U.S. or China and therefore will likely be keen to increase partnerships with both. Where do security interests coincide though?

Brazil will continue to have more in common with its democratic neighbor to the North than its Asian trading partner does. If Brazil's most significant defense concerns are the internal threats of the drug trade, stability along porous borders, and protection of its economic interests in the Southern Hemisphere, they then coincide with U.S. interests. As Costa pointed out, however,

Complicating Brazil's willingness to collaborate with the United States is the deep resentment many civilian and military leaders feel toward the United States regarding natural resources and its future defense needs. This sentiment is driven by the almost irrational fears of some Brazilians that the United States covets the riches of, or favors the internationalization of, the Amazon.

Despite a relationship characterized by distrust, the U.S. and Brazilian militaries actually share many regional strategic interests. In this distrust of the U.S., China and Brazil do have something in common, but their security interests generally do not coincide elsewhere. More important than possessing military power, however, is how states use it or threaten to use it.

## **Diplomacy**

A century-and-a-half of peace with its neighbors is an impressive achievement. Brazil carries this history of conciliation as it aspires to be global power. Now a relatively stable, resource-rich, growing democracy, it is again asserting itself on the world stage. With this history of peacefulness and conciliation, however, Brazil's recent forays onto the world stage in Middle Eastern diplomacy have not cemented its prestige or power. Even in Latin America, it must compete with the U.S. over the regional distribution of power. Efforts to lead through international organizations including Mercosur, the Union of South American States, and the United Nations have not been wholly successful. A tendency toward populism, often anti-*Yanqui* (anti-American) further affects Brazil's leaders. Brazil continues to translate its newfound international power into influence in the international system.

Brazil was one of the original members of the League of Nations. Military rule, however, diminished its presence on the world stage. As a regional power, it served as a peacemaker in a conflict between Ecuador and Peru in 1942 and arbitrated a settlement again in 1995.<sup>88</sup> In the preamble to its current Constitution, it commits to this peaceful settlement of disputes. Brazil's actions support this commitment. Despite tensions with smaller neighbors, it has not lashed out to serve its immediate interests, preferring its conciliatory stance. Lawrence Brown advances that this commitment "is the single driving force behind Brazil's foreign policy."<sup>89</sup> Bertonha offers rather that it is the result of a "conciliatory national identity together with the awareness of a lack of an effective capacity for the use of force."<sup>90</sup> This line of enquiry remains central to determining any future role for Brazil in the international system. If Brazil's military will turn the corner toward greater effectiveness, will it affect its foreign policy?

Brazil's recent push for enhanced regional global significance finds it pushing in many directions, but not finding the traction it expected. Its 2009 position on a Honduran coup demonstrated exceptionalism, but not results. The connection between former President Lula and former Iranian President Ahmadinejad further sparked controversy as

---

<sup>88</sup> Brown, "Brazil-U.S. Relations," 43.

<sup>89</sup> Brown, "Brazil-U.S. Relations," 43.

<sup>90</sup> Bertonha, "Brazil," 111.

Brazil opposed UN sanctions. Recently, it found itself at odds with much of the world on the intervention in Libya. Attempts to move to the forefront of world politics were not as easy as expected.

By 2009, President Lula gained a positive reputation throughout Latin America by keeping Brazil on its own diplomatic path, but had little impact in Honduras. He befriended other leaders of various political persuasions including Columbia's Alvaro Uribe, Bolivian Evo Morales, and Venezuela's Hugo Chavez.<sup>91</sup> When Honduras' President Manuel Zelaya fell in a coup, Brazil took a hard line with U.S. and EU support. He found no sway with the interim government headed by Roberto Micheletti, however. The unexpected appearance of Zelaya at the Brazilian embassy then undermined Lula's position, regardless of his knowledge of the plan to smuggle the deposed leader back into the country. Maintaining his allegiance to Zelaya, even after new Presidential elections established Porfiro Lobo as President, put him at odds with the U.S., Colombia, Peru, and Costa Rica amongst other states. He was also accused of duplicity, having quickly recognized President Ahmadinejad after flawed Iranian elections. Brazil's influence failed to change the situation and showed the limits of its unique path, even in Latin America.

This new relationship with Iran and further Middle Eastern diplomacy also put Brazil at odds with the international community. By flying to Brazil in May 2010 and triumphantly announcing a deal to send Iranian uranium to Turkey, Lula seemed to score a diplomatic victory for Brazil. The deal's almost immediate rejection and subsequent UN Security Council sanctions against Iran again undermined Brazil's influence on the world stage. This did not dissuade further bold diplomatic action, however, as Brazil became the first South American country to officially recognize the Palestine territories later that year.<sup>92</sup> Further, under President Rousseff, abstaining from the Security Council vote on intervention in Libya was consistent with attempts at conciliation, but also contrary to Western consensus.

More recently, however, President Rousseff's more restrained foreign policy in the run up to the World Cup and Olympics is more consistent with Brazil's aspiring

---

<sup>91</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 189.

<sup>92</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 189.

international position. As proof of Brazil's increasing clout, she became the only Brazilian President to host a U.S. President for their first bilateral meeting. Subsequent 2012 meetings were also positive. An apparent new chance for the public U.S.-Brazilian relationship fell apart in 2013, however.

Amity gave way to populist anti-Americanism when NSA contractor Edward Snowden revealed American eavesdropping on Rouseff and other world leaders. Brazilian President Dilma Rouseff declared that "any act of espionage that violates human rights, above all the basic right to privacy, and undermines the sovereignty of nations, deserves to be condemned by any country that calls itself democratic."<sup>93</sup> *The Economist* pointed out that this is particularly hypocritical in the light of the constant scandal surrounding Brazilian political wiretapping.<sup>94</sup> When Brazil formally cancelled Rouseff's state visit in October 2013, however, it demonstrated the weakness of the relationship, little chance of concrete progress, and populism.<sup>95</sup> Despite similar public uproar, other states with stronger relationships could be more realistic about spying, as Germany demonstrated. With a 2014 election looming and an upset Brazilian public, others point out that Rouseff's cancellation was actually rather mild.<sup>96</sup> That little could be expected of the visit—no trade agreement and no Security Council endorsement—probably also played a role in the decision.<sup>97</sup> This public spat overshadows the many ongoing positive U.S.-Brazilian interactions.

Despite the recent setback, the U.S. and Brazil coordinate broadly in many policy areas beyond economics. Filling a Brazilian gap, education is a focal point for relations through the *100,000 in the Americas* program and *Scientific Mobility Program*.<sup>98</sup> A large number of students and scientists exchange to create better working-level ties. The United States, Brazil, and Guinea Bissau also signed a first-of-its-kind trilateral agreement for the United States and Brazil in Africa.<sup>99</sup> Their shared interest in democracy

---

<sup>93</sup> "South Americans in Glasshouses," *The Economist*, July 22, 2013,

<http://www.economist.com/blogs/americasview/2013/07/latin-america-and-edward-snowden>.

<sup>94</sup> "South Americans in Glasshouses."

<sup>95</sup> Simon Romero, "Brazil's Leader Postpones State Visit to Washington Over Spying," *The New York Times*, September 17, 2013, sec. World / Americas,

<http://www.nytimes.com/2013/09/18/world/americas/brazils-leader-postpones-state-visit-to-us.html>.

<sup>96</sup> Romero, "Brazil's Leader Postpones State Visit to Washington Over Spying."

<sup>97</sup> Romero, "Brazil's Leader Postpones State Visit to Washington Over Spying."

<sup>98</sup> Department Of State. The Office of Website Management, "Brazil."

<sup>99</sup> Brown, "Brazil-U.S. Relations," 47.

promotion is an important point of shared identity amongst the two largest democracies in the Western Hemisphere.<sup>100</sup> U.S.AID promotes cooperation with Brazil on other African development projects, and cooperates directly with Brazil on internal development projects.<sup>101</sup> Further, proximity leads to increased tourism, cultural exchange, and expatriate relations between the two countries. Shared interest in democratic norms and hemispheric stability remain paramount, however.

Despite many shared interests, Brazil and the United States do not treat each other as equals, but instead often as rivals. U.S. Ambassador Luigi Einaudi believes that "Washington's identification of Brazil with Latin America and the Third World hampers its appreciation of Brazil's importance to the United States."<sup>102</sup> This, however, is in many ways a manifestation of the post-Cold War strategic irrelevance of South America to the U.S.. In the 1960s and 1970s, America's relationship with Brazil was closer, but slowly diminished as American administrations criticized it over human rights and nuclear policies.<sup>103</sup> Brazil took on a series of policies and positions that proved them independent. This culminated in bold steps onto the world stage, including bargaining with Iran. Further, Brazil's moves toward multilateral bodies that excluded the U.S., including the G77, Mercosur, UNASUR, and the BRICs were not openly anti-American, but they always had that underlying theme.<sup>104</sup> Now, according to Einaudi, "U.S. views of Brazil as an unreliable partner unwilling to make the difficult choices necessary to sustain world order suddenly mirrored Brazilian views of the United States as dedicated to military adventurism by flaunting the UN Security Council on Iraq."<sup>105</sup>

In China, Brazil finds a willing partner who better fits the desired South-South model.). According to the UN Office for South-South Cooperation, this model "must be determined by the countries of the South, guided by the principles of respect for national sovereignty, national ownership and independence, equality, non-conditionality, non-

---

<sup>100</sup> Bureau of Public Affairs Department Of State. The Office of Electronic Information, "Remarks from the Signing Ceremonies Between the U.S., Brazil, and Guinea-Bissau and the U.S. and Brazil," March 30, 2007, <http://2001-2009.state.gov/secretary/rm/2007/mar/82507.htm>.

<sup>101</sup> Department Of State. The Office of Website Management, "Brazil."

<sup>102</sup> Luigi R. Einaudi, "Brazil and the United States: The Need for Strategic Engagement," 1.

<sup>103</sup> Luigi R. Einaudi, "Brazil and the United States: The Need for Strategic Engagement," 9.

<sup>104</sup> Luigi R. Einaudi, "Brazil and the United States: The Need for Strategic Engagement," 9–11.

<sup>105</sup> Luigi R. Einaudi, "Brazil and the United States: The Need for Strategic Engagement," 9.

interference in domestic affairs and mutual benefit.”<sup>106</sup> It is also much less likely to criticize governance or human rights than the U.S.. It has already signed free trade agreements with Chile, Peru, and Costa Rica.<sup>107</sup> In its rather vague 2008 Strategy paper on Latin America, China states its goals are:

- 1) politically, to support each other and become reliable and all-weather friends;
- 2) economically, to realize complementary advantages and become cooperation partners based on mutual benefit and new issues; and
- 3) culturally, to communicate closely and to establish a constructive pattern of dialogue.<sup>108</sup>

These benign goals, however, cannot hide the fact that in Brazil China sees a large exporter of raw materials and a large consumer of cheap finished goods. On the other hand, Chinese investment in infrastructure in advance of the World Cup and Olympics are very welcome. Further, technology transfer in the space and aviation industries is important to both countries. None of this is really diplomatic or cultural, however; it is economic. As it is economic, it carries less weight than security concerns or relations with more powerful players in the international system. Zhang Mingde, a senior Shanghai scholar, concludes that for both Brazil and China, priority diplomacy will be with the U.S., EU, Russia, and India—not with each other.<sup>109</sup>

Brazil then is a keen supporter of the BRIC(S) concept as it creates ties with other key players in the international system. In 2008, Brazil, Russia, India, and China staged their first full-scale BRIC diplomatic meeting, focusing on improving the global economy. In 2010, South Africa formally joined the summit, re-designated as BRICS. The forum’s regular meetings facilitate communication and cooperation between the rising powers. Consistent with Brazil’s efforts to reshape the rules of the system, at this 2010 BRICS Summit in Brasilia, then President Lula proclaimed that the BRICS economies had “a fundamental role in the construction of a fairer international order.”<sup>110</sup> In reality, however, Brazil has quite different stances than other countries on several

---

<sup>106</sup> “United Nations Office for South-South Cooperation - What Is SSC?,” accessed April 30, 2014, [http://ssc.undp.org/content/ssc/about/what\\_is\\_ssc.html](http://ssc.undp.org/content/ssc/about/what_is_ssc.html).

<sup>107</sup> “Much in Common,” accessed February 5, 2014, <http://www.ciaonet.org.aufric.idm.oclc.org/journals/aq/aq1054/05.html>.

<sup>108</sup> “Much in Common.”

<sup>109</sup> “Much in Common.”

<sup>110</sup> IHS Jane’s, *IHS Jane’s Sentinel Country Risk Assessments South America 2013*, 190.

issues. Nuclear weapons, democracy, and agriculture issues combined with a lack of formal structures mean the grouping's actions will remain limited.<sup>111</sup>

Brazil also conducts South American diplomacy and coordination through international organizations, primarily Mercosur. Brazil, Argentina, Paraguay, and Uruguay formed Mercosur in 1991 and later added Venezuela. In 2012, the organization suspended Paraguay after a non-democratic presidential impeachment, and Bolivia became an accessing member. Like the much more integrated European Union, civilizing historically rough ties was at the heart of the organization.<sup>112</sup> Though Mercosur ties Brazil to Argentina and Venezuela, it lacks the sovereignty-controlling mechanisms to coordinate effective policies. Further, each state works to create its own bilateral deals despite the opposition of the others as the aforementioned U.S.-Brazilian biofuel agreements. Despite this lack of effectiveness, Mercosur signed a wider cooperation agreement with the Andean Community of Nations (currently Bolivia, Colombia, Ecuador, and Peru).

Its Constitutive Treaty signed in 2008, the Union of South American Nations (UNASUR) came into force in 2011. Consisting of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, and Venezuela, it seeks deeper integration for South America on the model of the European Union. While some declarations show signs that policy coordination is occurring, there are few signs that the states are willing to relinquish enough sovereignty to mirror EU-like integration. Bertonha dismisses notions of Latin American integration, acknowledging America's influence in the region: "Venezuela, despite its current crisis, has consolidated itself, although there is a great mythology involving it as an alternative leader in the region, while Colombia has gone towards a closer relationship with the United States. Mexico and the Central America are practically a part of U.S. territory. Thus, union seems to exist only on paper."<sup>113</sup> Beyond this Latin American coordination, however, Brazil is also an active member of the UN.

---

<sup>111</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 190.

<sup>112</sup> Peter Dicken, *Global Shift: Mapping the Changing Contours of the World Economy*, 6th ed (New York: Guilford Press, 2011), 214.

<sup>113</sup> Bertonha, "Brazil," 113.

Brazil maintains a campaign for permanent accession to the UN Security Council as part of its move toward great power status. Brazil's expanded foreign policy, including for leadership of the South and, more specifically, the UN mission in Haiti help reinforce this bid.<sup>114</sup> While the U.S. supports India's bid, it does not openly support Brazil's. China, on the other hand, remains ambiguous, but is generally against Security Council reform due to India's probable inclusion in any updated organization. In fact, Brazil left the aforementioned League of Nations in 1926 when Germany received the nod to become a permanent Member of the Council in its stead.<sup>115</sup> Though also a founding member of the UN, it also consistently attempted to circumvent a system that it believed locked in American influence at the expense of the developing world.<sup>116</sup>

Finally, it remains true that all politics are local. Populism continues to hurt Brazil's chance of economic breakout as overgenerous handouts prove unsustainable. The populist claims of U.S.-led economic predation against the South, perpetuated through the current economic system, will continue to resonate locally. The violent protests of 2013 show that unsustainable handouts, poor education, and poor infrastructure are no longer tolerable to parts of the population. Further, as politicians will be forced to make difficult and pragmatic changes across the economy, endemic corruption of the political class will also come under pressure. Anti-Yanqui sentiment may get votes, but it will not be advantageous to alienate a neighbor that shares several Brazilian interests. Anti-Chinese sentiment already exists and may also come to fore if Brazilian resources are turned into cheap consumer goods at the expense of Brazilian industries and workers.

Costa appropriately explained that "Brazil has sought to shift from being a rule-taker to a rule-maker in international politics."<sup>117</sup> It now has more of the relevant power to do just that, but more so in certain interest areas than in others. Environment, resource, development, and non-proliferation issues provide it leverage in the international system. It is not, however, a top player in the Great Game. More assiduous use of power and

---

<sup>114</sup> Hurrell, "Hegemony, Liberalism and Global Order," 10.

<sup>115</sup> Luigi R. Einaudi, "Brazil and the United States: The Need for Strategic Engagement," 7.

<sup>116</sup> Luigi R. Einaudi, "Brazil and the United States: The Need for Strategic Engagement," 7–8.

<sup>117</sup> Thomaz Guedes da Costa, "Grand Strategy for Assertiveness: International Security and U.S.-Brazil Relations," *Challenges to Security in the Hemisphere Task Force*, March 24, 2010, 2, [https://umshare.miami.edu/web/wda/hemisphericpolicy/Task\\_Force\\_Papers/Costa-Grand\\_Strategy\\_for\\_Assertiveness.pdf](https://umshare.miami.edu/web/wda/hemisphericpolicy/Task_Force_Papers/Costa-Grand_Strategy_for_Assertiveness.pdf).

more astute diplomacy will be required. The other Great Powers will be more concerned with each other until Brazil proves otherwise.

### **Brazil - Prognosis**

Brazil scholar Thomaz Guedes da Costa aptly summarized Brazil's grand strategy over the last two decades:

The current dominant leadership crafting Brazil's grand strategy seeks assertiveness in international politics in order to increase the country's influence in international politics. It reflects a different set of beliefs and attitudes on how to project Brazil into the global scene. Leveraging the interests of other countries interested in engaging with Brazil is the principal means by which it advances self-reliance and resulting equidistance from major powers.<sup>118</sup>

Brazil will therefore continue to practice its own brand of international politics, conscious not to be coopted by the other powers. The difference between 1985 post-independence Brazil and 2015 or 2025 Brazil is that now the other great powers do not have all the chips.

Although Brazil largely squandered its demographic dividend, it still been able to leverage its newfound strength into steady development. In a world with a growing population, it is large exporter of food. In a world searching for more diverse petroleum sources, Brazil is moving into the role of a major oil exporter. On a planet concerned with global commons, Brazil controls the vast majority of Amazon rainforest, a huge source of biodiversity. Embraer offers the world an alternative source of commercial and combat aircraft. Economics are Brazil's source of power, but its economic strength is not overwhelming. It must be cautious to balance growth and inflation under the cap of structural limitations. Brazil now possesses much of what the world wants, and will be able to take advantage of this demand. It will therefore continue to incrementally deal with its internal structural limitations and increasingly assert its economic power in the international system.

---

<sup>118</sup> Thomaz Guedes da Costa, "Grand Strategy for Assertiveness: International Security and U.S.-Brazil Relations," 2-3.

Brazil's economic strength will continue to underwrite its newfound military strength. It is unlikely to have a real enemy anytime soon, however. Faced with domestic economic hurdles, however, its military will need to find a purpose if it is to continue growing. Resource protection, anti-drug, anti-smuggling, and peacekeeping operations can and must fill this role of legitimizing Brazilian military prowess if it seeks prestige. This will be a delicate balancing act between Brazil's conciliatory nature and the desire for influence in the international system.

As a developing country that desires Great Power influence, Brazil will continue to strike its own path as a "Southern" alternative to the consensus of the international system. Recent domestic unrest and ill-advised diplomatic exploits will likely prove chastening, however. It will continue to make impact in interest areas more closely aligned to its power base. It will also continue to push for Security Council reform, but the tensions of a rising China will likely make this unachievable. Brazil will therefore look to mature in its role as a regional power and seek advantage in the international system on resource, environmental, and development issues in the international system.

### **Brazil - Implications for a new bipolarity**

Brazil is an aspiring Great Power. It is a regional power, but not a completely dominant one. Bipolarity is not actually an acceptable long-term outcome for Brazil—Brazil actively seeks to be a key cog in a multipolar world. It will make policies and take actions with a more careful consideration of cost-benefit analysis than of late. Ambassador Einaudi related a still-accurate assessment by Brazil's then (1975) Foreign Minister Azeredo da Silveira of "whether Brazil might, with its highly professional diplomacy, be prepared to take on broader responsibilities appropriate to a regional power."<sup>119</sup> Silveira replied that "an activist foreign policy would inevitably encounter *accidentes de percurso*: accidents along the way. The United States had the wealth and power to absorb such accidents, he said; Brazil did not."<sup>120</sup> While Brazil can absorb accidents like the 2009 Honduras incident, it cannot consistently survive befriending

---

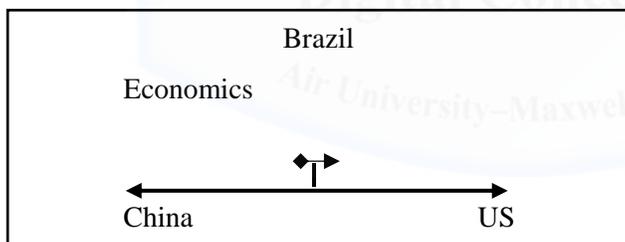
<sup>119</sup> Luigi R. Einaudi, "Brazil and the United States: The Need for Strategic Engagement," 9.

<sup>120</sup> Luigi R. Einaudi, "Brazil and the United States: The Need for Strategic Engagement," 9.

pariah states like Iran. Brazil seems to have learned from President Lula’s missteps. Any Brazilian leader, however, will still likely be beholden to some populist sentiment which may restrict more overt friendship with the U.S., or possibly even a risen China.

In Brazil’s strong, but not dominant economic position, it will demonstrate caution in dealings with both the U.S. and a rising China. In China it finds a ready consumer of its commodities, but an unequal relationship. This will provide the funding that Brazilian governments need to continue muddling through reforms to laws, taxation, education, and infrastructure. Cheap Chinese imports will not help in developing indigenous manufacturing, but technology partnerships in aviation, space, and elsewhere can provide some mutual gains. In the U.S., however, it finds a more equal exchange, but possibly more antagonistic relationship. Agriculture provides grounds for cooperation, in biofuels, for example. It also creates competition over products like orange juice, for example. Brazil will use its newfound economic importance to advance its overall position as an aspiring great power, which means taking advantage of its relationships with both the U.S. and China.

**Figure 5: Brazil – Economics**



*Source: Author’s Original Work*

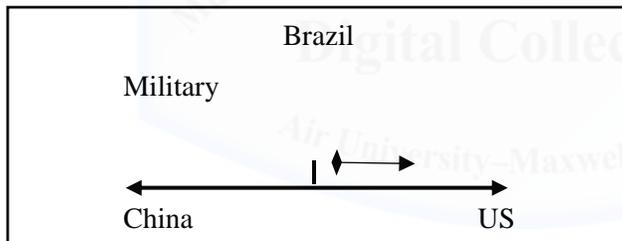
Brazil’s military will continue its modernization program to gain prestige on the world stage. Prestige, however, according to Gilpin “refers primarily to the perceptions of other states with respect to a state’s capacities and its ability and willingness to exercise its power.”<sup>121</sup> Brazil’s long history of conciliation will weigh heavily on any military strategy. It will be much more capable of defending itself against those desiring a stake in its resources. It is not clear, however, exactly who these foes are. Already outspending its neighbors multiple times over, it’s military is designed for a more global audience. It has no other obvious enemies though, and will still not have nuclear weapons. Internal security improvements will be beneficial, but expensive power projection capabilities

<sup>121</sup> Gilpin, *War and Change in World Politics*, 31.

will likely need to produce tangible results for a resource-constrained government. Participating in more peacekeeping or relief operations do not require nuclear submarines, however.

Militarily, the U.S. and China will focus on each other, not Brazil. The other Great Powers will also focus on East versus West as well. This should give Southern Brazil some leeway to use its newly built military, but Brazilian military adventurism would be contrary to its ethos. Brazil does share more interest with its regional neighbor, however, than distant China. The U.S., and its European allies, have an interest in coopting newfound Brazilian strength into prestige-enhancing operations though. Surveillance, resource protection, anti-piracy, anti-drug, anti-smuggling campaigns will all fit nicely with Brazil's ethos and capability. Furthermore, Brazil's South-South mantra can ring much truer in Africa than U.S., EU, or Chinese efforts. Considering ideology, Brazil's military will be keener to work with a retrenching American military than a growing Chinese one.

**Figure 6: Brazil – Military**



*Source: Author's Original Work*

Brazil would like to wield its newfound power to reshape the international system to a more multi-polar structure. U.S.-Chinese bipolarity is therefore better than U.S. hegemony, but only if neither threatens its rise as a regional power and aspiring global power. In fact, if either tries to wield too much influence in South America, it will earn a Brazilian rebuff. Brazil, however, does not really threaten either the U.S. or China in the way that the other Great Powers do. To cut off either one economically would be more damaging to Brazil than to the U.S. or China. Neither will Brazil's enhanced military power threaten either. In fact, Brazil will be better off protecting many aspects of the U.S.-led international system while simultaneously challenging other less advantageous ones.

Brazil and America have a lot in common. Sadly, each perceives that the other fails to respect their rightful position in the international system. Both can be accused of hubris on this account. Recently, both believed that they could accomplish more in the Middle East than they actually could. America, however, must look everywhere to support an international system that it created, including Brazil. An overarching desire to make the world multipolar and less America-centric will underlie Brazil taking its own diplomatic path. This may bring it closer, but not too close to China.

America and Brazil will then have difficulty becoming close after decades of perceived U.S. dominance. America has a lot more to gain from an amiable relationship, however, than the present antagonistic one. Focusing on shared interest areas, especially in regional security and stability, will be important to build the relationship. Further, education, environment, and development issues can all provide some common ground to underpin wider cooperation. As the second power in the Americas, Brazil seeks respect. In the absence of crisis, it will solidify this position. Brazil will also play a larger role on the world stage, but for itself, not America or China.

**Figure 7: Brazil – Diplomacy**



*Source: Author's Original Work*

## Chapter 5

### India

*The phraseological fusion 'Indo-Pacific' signifies the metamorphosis of two vibrant regions into a singular geo-political entity, with a strong maritime character blended by Indian and Pacific Oceans. As a potential canvas for global power rivalries and home to past, present and perhaps, future leaders of world economy, the region is set to dominate this century's geo-politics.*

- Chief of the Indian Naval Staff Admiral D K Joshi

### Overview

India, the world's largest democracy, was born after World War Two with many internal and external obstacles to its future political and economic growth. Projections place it as the world's most populous state by 2025. It is a heterogeneous entity, however, with tremendous diversity and more than 1,600 languages.<sup>1</sup> Its economic and social development reflects this diversity. Burgeoning economic growth mean significant portions of the huge population are escaping poverty, but many millions remain poor and disconnected. Focusing solely on development might pull millions more out of poverty, yet India must also continue to make significant commitments to security. It has endured armed conflict with both China and Pakistan since its independence in 1947 and maintains border disputes with both. Relations with Cold War America were fragile, but have been better in the current era. It is transitioning from a defense-focused military to one capable of power projection, and is also a significant nuclear power. Impressive gains in economic and military power do not guarantee Great Power diplomatic prowess, however.

India's ascent is therefore not secure. South Asia expert Maya Chadda expressed pessimism in 2012 due to a "steep decline in the economy, disarray in politics, and paralysis in policy."<sup>2</sup> She continued that, "each malady reflected a deeper dilemma created by widespread corruption, a weakening central state, declining discipline within

---

<sup>1</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South Asia 2012*, 2012, 185.

<sup>2</sup> Maya Chadda, "India in 2012: Spiraling Down?," *Asian Survey* 53, no. 1 (February 1, 2013): 47, doi:10.1525/as.2013.53.1.47.

the ruling coalition, a loss of economic momentum caused by an unresolved balance between equity and growth, and a failure to harness popular support for reforms.”<sup>3</sup> In a competitive Asian neighborhood, however, Indians are increasingly aware of the inefficiencies and dangers of crony capitalism.

As voters, and now candidates, broadly recognize the drag of corruption on the economy, there is a building sense of crisis. This may actually bode well for India’s future. When faced with other major internal and external crises, India responded with action. This study will therefore assume this trend continues. Its large and tumultuous democracy will likely implement enough reform to keep India on track toward attaining Great Power status in the coming decades.

This chapter will explore some of India’s complexities, focusing on its Great Power future. Economic imperatives will foster both cooperation and competition with a rapidly rising China. Geography dictates that Indian and Chinese interests will meet in the Indo-Pacific. Competition does not mean conflict though—nuclear weapons create and maintain a healthy respect and restraint despite a shared desire for resources. In a bipolar world, shared interests will draw America and India closer in perpetuating their large democracies. Historically moving from crisis to crisis and frequently at odds with America, however, India will seek its own path in the face of a new bipolarity.

### **India - Economy**

India is the only nation that can rival China’s human resources. It is likely the only one that can compete with China in long-term economic growth as well. An expanding working-age population experiencing gains in productivity will support this growth. This growth is uneven though; India’s diversity and expanse means that, like China, it has U.S.-sized populations at completely different levels of development. This disparity in wealth requires constant attention. The highly-developed segment of India will continuously have to address a still larger developing segment. Unfortunately for India’s people, its government and bureaucracy have not demonstrated the will and capability to enact needed reforms except in crisis. A growing consciousness and

---

<sup>3</sup> Chadda, “India in 2012,” 47.

subsequent drive against corruption may therefore have a positive impact on the Indian economy. Energy and water are both securitized commodities in South Asia, and have economic impacts as well. Trade relationships have expanded since the end of the Cold War, and India is active in international forums, sharing a brotherhood with other developing states. India has great growth potential, but its rise is not pre-ordained.

The Indian economy is the world's 10<sup>th</sup> largest at \$1.84 Trillion. It falls immediately ahead of Canada, but just behind Italy, though it may overtake the latter soon based on recent trends. For perspective, like Russia, it competes with California's economy, but not yet China's.<sup>4</sup> Following an economic crisis, it is the economic growth of the last two decades that has paved the way for its inclusion into the BRIC grouping. The huge and demonstrated potential of its burgeoning population will eventually propel it to Great Power status.

For India, the fall of the Soviet Union, its economic ally, coincided with an economic crisis. From its inception, India's economic policies could not alleviate national poverty. Some liberalization occurred in the late 1970s and throughout the 1980s, leading to some acceleration in growth. External debt, part of the associated fiscal expansion, combined with limited export earnings led to a severe balance of payments crisis by 1991. The crumbled Soviet Union was in no position to assist, and this deep economic crisis then led to a liberalization of economic policies largely incompatible with its old ally.

In need of Foreign Direct Investment (FDI) and trade, Indian forged closer ties with the West. More importantly, India reformed the "License Raj," a set of competition-destroying bureaucratic regulations on production and pricing. Under Finance Minister Manmohan Singh, now Prime Minister, import tariffs fell from an average of 85 percent to 25 percent and the Indian stock market opened to outside investors.<sup>5</sup> While critics point to the immediate influences of U.S. and Bretton Woods institutions, including the International Monetary Fund, India maintained its path to reform. In *India's Reforms: How they Produced Inclusive Growth*, Jagdish Bagwati and Arvind Panagirya explore

---

<sup>4</sup> "California Poised to Move Up in World Economy Rankings in 2013 - Numbers-July-2013-CA-Economy-Rankings-2012.pdf," 1, accessed March 10, 2014, <http://www.ccsce.com/PDF/Numbers-July-2013-CA-Economy-Rankings-2012.pdf>.

<sup>5</sup> Sharma, *Breakout Nations*, 38.

economic reforms in detail. They point out “while the crisis was essentially over in less than two years, the government did not revert to the old ways, but instead pushed ahead with financial sector reforms, entry of private players in the telecom and airline industries, divestment from public sector enterprises, and tariff liberalization.”<sup>6</sup> With this crisis averted, the Indian economy was now structured and ready for growth.

Opening the Indian economy to the world resulted in a massive boost. Over the span of two decades, foreign trade grew from just 16 percent of GDP to 43 percent.<sup>7</sup> At nearly \$800 billion in two-way trade, India is now a major trading power.<sup>8</sup> Growth expanded from an average of 5.5 percent in the 1990s to nearly 9 percent from 2003-2007.<sup>9</sup> The global financial crisis hit India as well though, dropping growth to 4 percent, only to spike to a massive 10.5 percent in 2010. As fast as it rose, however, growth fell back to below 4 percent in 2012. Government action is again necessary to stabilize the economy on a path toward continued growth.

Crucially, per capita GDP remains much lower in India than elsewhere, and is only a quarter of China’s.<sup>10</sup> Bhagwati and Panagariya point out that the first wave of reforms spurred by crisis has now created the opportunity for further reform. They advance that it will now be possible for India to spend more on health and education, but this will only be successful if methods of delivery are also reformed.<sup>11</sup> This study will examine some of these reforms in more detail, and assumes that enough will occur to meet projected growth.

The long-term prospects for continued Indian economic growth are strong. In fact, according to the *Economist Intelligence Unit*, it will experience an impressive 6.1% Real GDP Growth from 2013 to 2030.<sup>12</sup> This would make it the fastest-growing country in the world over this period.<sup>13</sup> Some assumptions on the continued development of the Indian

---

<sup>6</sup> Jagdish N. Bhagwati and Arvind Panagariya, eds., *India’s Reforms: How They Produced Inclusive Growth*, Studies in Indian Economic Policies (New York: Oxford University Press, 2012), 5.

<sup>7</sup> “No Frills,” *The Economist*, September 29, 2012, <http://www.economist.com/node/21563415>.

<sup>8</sup> “No Frills.”

<sup>9</sup> Sharma, *Breakout Nations*, 38.

<sup>10</sup> Sharma, *Breakout Nations*, 58.

<sup>11</sup> Bhagwati and Panagariya, *India’s Reforms*, 15.

<sup>12</sup> “Summary,” accessed March 1, 2014, <http://country.eiu.com/article.aspx?articleid=610909645&Country=India&topic=Economy&subtopic=Long-term+outlook&subsubtopic=Summary>.

<sup>13</sup> “Summary.”

economy are inherent in this forecast. Notably, the information technology industry must be able to move up the value-added chain.<sup>14</sup> Manufacturing and internal trade will also expand as millions join the middle class. This means that the Indian educational system, discussed later, must be able to create designers and innovators alongside its large number of technology-supporting personnel. It also means that India's huge agricultural workforce, its largest source of employment, must continue to increase in productivity as well.

Increasing productivity is essential to India's continued high pace of economic growth. In its forecast of economic growth, the *Economist Intelligence Unit* projected that productivity will accelerate over this period. Over the next half decade, they expect it to increase at 3.8 percent annually and accelerate to 4.2 percent between 2020 and 2030.<sup>15</sup> These gains, of course, take into consideration the changing Indian workforce.

Demography, more so than in any of the other nations in this study, is on India's side. The World Bank projects that it will soon have the world's youngest and largest-ever workforce.<sup>16</sup> By 2020, the average age in China will have grown to 37 versus only 29 in India.<sup>17</sup> The average European will be 49.<sup>18</sup> Ruchir Sharma, in a study of world economic development, *Breakout Nations*, points to this major difference between the economic rivals. He describes that: "the hope is that China will get old before it gets rich, and India will reach middle-income status while it is still young."<sup>19</sup> Of course, an expanding population does not translate directly into growth. Governance, education, and infrastructure all need to keep pace with India's massive population, especially as it becomes more urban.

India's enormous number of workers is leading the world's largest-ever rural-to-urban migration this century, now at ten million people per year.<sup>20</sup> As part of a rural-urban "Transformation" program, urbanization management will bring its urban population to an estimated 600 million people by 2031.<sup>21</sup> This is important because while

---

<sup>14</sup> "Summary."

<sup>15</sup> "Summary."

<sup>16</sup> "India Overview," accessed March 1, 2014, <http://www.worldbank.org/en/country/india/overview>.

<sup>17</sup> Sharma, *Breakout Nations*, 38.

<sup>18</sup> Sharma, *Breakout Nations*, 38.

<sup>19</sup> Sharma, *Breakout Nations*, 38.

<sup>20</sup> "India Overview."

<sup>21</sup> "India Overview."

currently only 16 percent of its population lives in its 100 largest cities, these cities contribute 43% of India's national income.<sup>22</sup> Cities can become overcrowded, however, unless transportation and utilities keep pace with growth.

As in many developing countries, India's infrastructure is straining under the demands of its growing population and economy. Roads are often jammed and do not connect many of its rural poor to society with all-weather road access. This largely keeps them separated from economic integration as well. Even after \$2 billion in road-building projects by the World Bank Group since 2004, a third of India's rural population remains isolated. A major logistics firm, *The Transport Corporation of India*, reported in 2012 that all 17 of India's most important routes were clogged.<sup>23</sup> It further estimated that while Indian road capacity grew at 4 percent annually, traffic increased at 11 percent, only exacerbating the problem.<sup>24</sup>

In addition, India is still home to one third of the world's poor.<sup>25</sup> The World Bank places their numbers at 400 million people, 80 million greater than entire population of the U.S..<sup>26</sup> In fact, it is this massive number of poor Indians that obscures the growing middle class when examining Indian growth. Per capita income in 2011 was low at \$1,410 overall, but in Bihar and Uttar Pradesh it is less than a third of that number.<sup>27</sup> A large informal economy also creates stress on social programs. The World Bank Group therefore also focuses on improving "access to finance and to enhance social protection coverage for the more than 90% of the labor force that works in the informal sector."<sup>28</sup> Massive progress is evident, but a combination of rapid population growth and rapid poverty reduction can collide. Even as India lifted 53 million people out of poverty from 2005-2010, the absolute number of poor people actually increased in some of India's poorest states.<sup>29</sup> It is sobering that Uttar Pradesh's annual per capita income is only \$436,

---

<sup>22</sup> "Concrete Jungles," *The Economist*, September 29, 2012, <http://www.economist.com/node/21563412>.

<sup>23</sup> "Express or Stopping?," *The Economist*, September 29, 2012, <http://www.economist.com/node/21563420>.

<sup>24</sup> "Express or Stopping?"

<sup>25</sup> "India Overview."

<sup>26</sup> "India Overview."

<sup>27</sup> "India Overview."

<sup>28</sup> "India Overview."

<sup>29</sup> "India Overview."

while its population is larger than Brazil's.<sup>30</sup> It also highlights just how much potential that India has for growth if it can harness this massive population.

Education is a critical part of India's economic development. While primary education is universal, it still does not produce favorable educational outcomes. The World Bank cites that only 10 percent of India's working-age population completed secondary education.<sup>31</sup> In response, the World Bank Group places special focus "on ensuring access to education for underprivileged children, retaining girls in secondary education, and opening opportunities in higher education."<sup>32</sup> From 2001-2009, India's Education for All Program added 20 million children to the education system, but the quality of that education still requires improvement if these students will be ready to join the workforce. According to the Indian census, the national literacy rate rose from 52 percent in 1991 to 74 percent, but gains are currently slowing.<sup>33</sup>

Demand, however, for education is high and reforms are visible. A 2011 survey by Credit Suisse found that Indians spend an impressive 7.5 percent of their incomes on education, higher than Brazil, Russia, or China.<sup>34</sup> A new law, the Right to Education Act, sets minimum standards for schools, including provisions for now-proliferating private schools to accept poorer students.<sup>35</sup> Further, in 2012 the government increased education funding by 18 percent, only to cut it by 6 percent in response to a growing budget deficit.<sup>36</sup> Overall, however, education spending is more than six times higher in 2013-2014 than in 2004-2005;<sup>37</sup> this is necessary to educate the booming youth population. The OECD estimates that by the end of the decade, India will have 40 million students in higher education, second only to China.<sup>38</sup> Even if only 20 percent of its engineering graduates are workplace-ready, that means it could add 100,000 qualified engineers to its

---

<sup>30</sup> "India Overview."

<sup>31</sup> "India Overview."

<sup>32</sup> "India Overview."

<sup>33</sup> "A Billion Brains," *The Economist*, September 29, 2012, <http://www.economist.com/node/21563418>.

<sup>34</sup> "A Billion Brains."

<sup>35</sup> "A Billion Brains."

<sup>36</sup> Sreeja VN, "India Cuts Education Budget By 6%," *International Business Times*, November 28, 2013, <http://www.ibtimes.com/cash-strapped-indian-government-slashes-its-education-budget-6-meet-fiscal-deficit-target-1489066>.

<sup>37</sup> Sidhartha, "Spending on Subsidies Surged, Education and Health Lagged during 10 Years of UPA," *The Times of India*, accessed March 15, 2014, <http://timesofindia.indiatimes.com/india/Spending-on-subsidies-surged-education-and-health-lagged-during-10-years-of-UPA/articleshow/30531251.cms>.

<sup>38</sup> "A Billion Brains."

workforce every year.<sup>39</sup> Across many industries, however, low educational outcomes can be an impediment to growth. For example, the Royal Institute of Chartered Surveyors predicted a shortfall of 44 million core real estate and construction professionals by 2020.<sup>40</sup> In a country in need of infrastructure, the problem is obvious.

While India largely recognizes that reforms will be necessary to propel the next wave of growth and to resolve inequalities, the Indian government has not recently proved itself capable of bold action. Terms like corruption, crony-capitalism, dynasty, and kleptocracy fill reporting and studies on the Indian government. According to *The Economist*, in late 2012:

The core of the internal problem is often summed up as “governance”. That means, first, politicians (*netas*) who do not rule. Mr Singh [current Prime Minister] did announce some limited economic reforms this month, which provoked considerable political upheaval. But generally his government has failed to carry out profound reform, passed no significant legislation and is mired in sleaze.<sup>41</sup>

Recent polls reveal that 96 percent of Indians believe that corruption is holding their country back and 92 percent feel the problem worsened over the last 5 years.<sup>42</sup> In December 2013, an anti-graft party, Aam Aadmi, won state elections, but its prime candidate Arvind Kejriwal quickly resigned to contest upcoming national elections in 2014. This may prove to fix some of this problem as politicians realize that refocusing on reducing corruption may gain them political ground.

Beyond the elected officials, however, India must also look to reform its entrenched bureaucracy. Similarly, *The Economist* continues:

Now add unhelpful *babus*, bureaucrats working in an ossified system bequeathed by Britain. Their dead hand explains much of what does not happen day-to-day. The “licence raj” of old may be gone, but too much of the commanding heights of the economy are still run—or rather, held back—by officials.<sup>43</sup>

---

<sup>39</sup> “A Billion Brains.”

<sup>40</sup> Royal Institution of Chartered Surveyors, “Real Estate and Construction Professionals in India by 2020,” accessed March 15, 2014, <http://www.rics.org/us/knowledge/research/research-reports/real-estate-and-construction-professionals-in-india-by-2020/>.

<sup>41</sup> “Aim Higher,” *The Economist*, September 29, 2012, <http://www.economist.com/node/21563414>.

<sup>42</sup> “A Bad Boom,” *The Economist*, March 15, 2014, <http://www.economist.com/news/briefing/21598967-graft-india-damaging-economy-country-needs-get-serious-about-dealing-it>.

<sup>43</sup> “Aim Higher.”

The moves against corruption may even be making bureaucratic actions more difficult, however. As a new freedom-of-information act took effect, it created the possibility of new charges across government. A study by *The Economist* posited that the anti-corruption campaign may have actually resulted in business paralysis rather than punishing wrongdoers, as any action may provoke accusations of malfeasance.<sup>44</sup> The generation that spurred, then used economic growth to entrench themselves in power is no longer serving the best interests of the state.

As in many developing nations, India's formal economy cannot completely contain all economic activity. Unsurprisingly, when a large government bureaucracy regulates and contributes to this formal economy, an informal one arises to "fix" the market forces. Instead of adjusting regulations to better align government, bureaucracy, and the market, many use the imbalances for personal profit at the expense of progress. So instead of greasing the wheels, graft is actually preventing the successful accomplishment of projects. In a Special Report on India, *The Economist* reported: India may be passing through an American-style robber-baron phase, driven by a commodity boom and a shift from a closed to an open economy. Gloomier commentators see an outright Russian-style kleptocracy.<sup>45</sup> Recent examples of this phenomenon include a public minister who stole \$1.2 billion from a program designed to help sick villagers, a party exchanging clearances for business projects for 30 percent stakes in them, and a power minister attempting to close functioning power stations to reap the rewards of higher prices.<sup>46</sup> As in America and elsewhere, campaign finance rules and restrictions create opportunities for undue influence by small constituencies. In a government where the average Minister of Parliament in the Lok Sabha, the lower house, represents 1 million voters, the system will be difficult to clean up quickly.<sup>47</sup>

While growth created the opportunity for malfeasance, it also sowed the seeds for reform. Not all of the informal economy operates on graft. The vast majority of poor Indians operate outside formal channels with very small amounts of goods and money. As the poor move into the middle class, however, they will increasingly contribute to the

---

<sup>44</sup> "A Bad Boom."

<sup>45</sup> "Power Shifts," *The Economist*, September 29, 2012, <http://www.economist.com/node/21563423>.

<sup>46</sup> "Power Shifts."

<sup>47</sup> "Power Shifts."

formal economy. The same boom that created the opportunity for a new breed of plutocrat also created the new, more educated, urban middle class that will increasingly be demanding change.<sup>48</sup> Change will be required in order to deal with economic and other problems more effectively.

Despite a reputation for soaking monsoon rains, water security is an important issue in South Asia, affecting both economics and development. The distribution of precipitation is uneven, especially from year to year. Both drought and flooding cause major catastrophes. A severe drought from 1965-1967 claimed an estimated 1.5 million victims.<sup>49</sup> More recently, flooding in 2007 and 2010 displaced 3.5 million and 2 million people, respectively.<sup>50</sup> This is a transnational issue, however, as India attempts to manage the flows of rivers with its equally troubled neighbors. Even national-level successes, however, face opposition from India's powerful state governments. Last year Mamata Banerjee, West Bengal's chief minister, scuppered an Indian water-sharing deal struck with Bangladesh.<sup>51</sup> Further, mirroring wider Indian-Pakistan relations, discussed later, water sharing is also a source of contention.

Domestically, UNICEF and organizations are promoting improved water distribution to the many in need. UNICEF highlights that despite large gains, improved water sources were still unavailable to more than one hundred million people in 2008.<sup>52</sup> To alleviate some of these concerns, India is examining a \$200 billion project to link 30 major rivers to better redistribute its supply, especially to the agricultural states in the South.<sup>53</sup> Aforementioned governmental and bureaucratic reforms could better enable this huge undertaking.

Across South Asia, energy demand is also stressing energy supply. The geographical proximity of several large, high-demand states makes this problem more acute. Prime Minister Singh went so far as to say, "The quest for energy security is

---

<sup>48</sup> "The New Age of Crony Capitalism," *The Economist*, March 15, 2014, <http://www.economist.com/news/leaders/21598996-political-connections-have-made-many-people-hugely-rich-recent-years-crony-capitalism-may>.

<sup>49</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South Asia 2012*, 207.

<sup>50</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South Asia 2012*.

<sup>51</sup> "No Frills."

<sup>52</sup> "UNICEF India - Water, Environment and Sanitation - Water, Environment and Sanitation," accessed March 18, 2014, <http://www.unicef.org/india/wes.html>.

<sup>53</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South Asia 2012*, 207.

second only in our scheme of things to food security.”<sup>54</sup> India imports 80 percent of its oil, making it very sensitive outside pricing pressures.<sup>55</sup> It then subsidizes much of this oil, making reduced demand less likely, and creating additional dependency.<sup>56</sup> In 2011-2012 the oil import bill accounted for 85 percent of the country’s \$175 billion trade deficit.<sup>57</sup> Infrastructure problems may be making the problem more difficult. Despite growing power production capacity, the excavation, import, and movement coal supplies are bottlenecks on electrification.<sup>58</sup> Further, relations with neighbors in similar need of energy resources can make cooperation difficult. In 2008, India dismissed a deal to construct an Iran-Pakistan-India gas pipeline after more than 13 years of discussions. It cited security issues and Pakistan’s unwillingness to penalize supply disruptions.<sup>59</sup> Regional energy issues aside, however, India still has room to expand internally.

Development across economic sectors is uneven. A relatively small manufacturing industry restricts external trade, but still provides the majority of its exported goods.<sup>60</sup> India has experienced slower growth in the “things,” manufactured products and goods, that are normally traded. Making up only about 15 percent of the economy, India’s manufacturing has maintained that share since the 1960s.<sup>61</sup> All of the aforementioned problems of bureaucracy, trade regulation, under-educated workers, and infrastructure take their toll on manufacturing growth. Reforms, however, could create large gains as increasing demand from the growing middle class is expanding markets. Proposals could mean growth to 25 percent of the economy by 2025 and an associated 100 million new jobs.<sup>62</sup> Further, if inflation is kept under control, loosening credit may spur increased investment. On the other hand, the agriculture sector is one of the success stories that underpinned the rest of India’s rapid rise. According to the World Bank, in the six decades since independence, it transformed itself from “chronic dependence on

---

<sup>54</sup> *Indian Foreign Policy in a Unipolar World*, War and International Politics in South Asia (New Delhi: Routledge, 2009), 100.

<sup>55</sup> “Aim Higher.”

<sup>56</sup> “Aim Higher.”

<sup>57</sup> IHS Jane’s, *IHS Jane’s Sentinel Country Risk Assessments South Asia 2012*, 209.

<sup>58</sup> “Express or Stopping?”

<sup>59</sup> Benjamin K. Sovacool and Vlado Vivoda, “A Comparison of Chinese, Indian, and Japanese Perceptions of Energy Security,” *Asian Survey* 52, no. 5 (October 1, 2012): 950, doi:10.1525/as.2012.52.5.949.

<sup>60</sup> “Trade Profiles,” accessed March 19, 2014,

<http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Country=IN&Language=F>.

<sup>61</sup> “Express or Stopping?”

<sup>62</sup> IHS Jane’s, *IHS Jane’s Sentinel Country Risk Assessments South Asia 2012*, 313.

grain imports into a global agricultural powerhouse that is now a net exporter of food.”<sup>63</sup> Exacerbating this uneven growth, powerful state governments have their own economic policies.

Internal trade of goods and services is therefore highly regulated as well. As in demographics, education, and other areas, trade practices between Indian states are highly variable. This occurrence is also in the sights of reformers. The Federation of Indian Chambers of Commerce and Industry (FICCI), an important business and trade lobby group, names this amongst its priorities. FICCI advocates that the Indian government “Expedite the implementation of the Goods and Services Tax (GST).”<sup>64</sup> The GST would replace the tangle of individual state taxes and tariffs that slow India’s internal trade. Rajiv Kumar, FICCI’s head, described it as India “signing a free-trade deal with itself.”<sup>65</sup> It is uncertain, however, if this reform will gain momentum due to political fragmentation.

The central government is not wholly trusted by the state governments. With GST, it would become responsible for collecting revenues and distributing proceeds. It is unlikely that enough of the states will trust the central government to redistribute this wealth fairly. Raghuram Rajan, the government’s Chief Economic Advisor from 2012, complained about this “paralysis in growth-enhancing reforms.”<sup>66</sup> Further, he described the problem as the “‘unholy’ alliance of some businessmen and politicians that blocks change.”<sup>67</sup> Despite internal difficulties, India continues to have an impact on the world economy.

Indian trade forms a big portion of its foreign interaction since diplomatic influences are rather restrained. Political leaders then often use international economic groups and organizations to introduce and implement policies. At the 2013 Brunei ASEAN Summit, Prime Minister Singh called for expansion of free trade beyond goods to cover services. He proposed that bilateral trade should increase by a third from \$76

---

<sup>63</sup> “India Overview.”

<sup>64</sup> The Federation of Indian Chambers of Commerce and Industry and (FICCI), “FICCI Chief Presents Economic Action Agenda to PM’s Economic Advisory Council Chairman,” *Policy Recommendations*, July 19, 2012, <http://www.ficci.com/policy-recommendations.asp#>.

<sup>65</sup> “Aim Higher.”

<sup>66</sup> “Express or Stopping?”

<sup>67</sup> “Express or Stopping?”

billion to \$100 billion by 2015.<sup>68</sup> Further, economic ties are leading diplomatic ties elsewhere. Recently, India and Japan grew closer as trade and currency swaps worth billions of dollars preceded the sale of Japanese seaplanes for India's coast guard.<sup>69</sup>

More important to this study, despite their proximity, India trades more with the West than it does with China. In fact, according to WTO statistics, India's largest state export markets are the U.S. and EU nations, while China remains fourth.<sup>70</sup> Increased exposure to the global market and expanded FDI have led to expansion of India's exported goods over the last decade. Further, these goods are well diversified across textiles, garments, automobile parts, chemicals, and pharmaceuticals.<sup>71</sup> Services exports, however, taking advantage of India's educated English-speaking population, focus on the U.S. market. For imports, however, India, like the rest of the world, increasingly looks to China.

According to the WTO, India imported equal amounts from the EU and China in 2012, though only at 11.1 percent each.<sup>72</sup> The U.S. has hovered near half that amount since 2010. In fact, there may be some synergy in the economic Indian-Chinese relationship. As India focuses on computing and information technology, its growing middle class will demand more Chinese-manufactured goods.<sup>73</sup> Meanwhile, China could look to India for additional agricultural imports. A 2010 Indian ban on Chinese telecoms equipment on the grounds of national security is more telling, however.<sup>74</sup> In a strategic rivalry, both states will look to make economic gains where possible, but are reluctant to create too much exposure to each other. If military and diplomatic and issues could be solved, economic cooperation would likely improve as well.

## **India - Military**

---

<sup>68</sup> "Eastern Promise," *The Economist*, October 26, 2013, <http://www.economist.com/news/asia/21588367-manmohan-singhs-foreign-policy-undercut-domestic-weakness-eastern-promise>.

<sup>69</sup> "Eastern Promise."

<sup>70</sup> "Trade Profiles."

<sup>71</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South Asia 2012*, 241.

<sup>72</sup> "Trade Profiles."

<sup>73</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South Asia 2012*, 235.

<sup>74</sup> Joe Leahy in Mumbai and Kathrin Hille in Beijing, "India Bans Chinese Telecoms Imports," *Financial Times*, April 29, 2010, <http://www.ft.com/intl/cms/s/0/6e5f923a-53b8-11df-aba0-00144feab49a.html#axzz2wQD0rOOu>.

India is an important military power in a dangerous neighborhood. It has a full complement of military capabilities and continues to modernize. Part of this modernization includes moving from Soviet and Russian-based arms to a more globally-sourced force. Its nuclear buildup and advanced rocket technologies underlie an advanced deterrent capability. Historical conflicts and ongoing border disputes with Pakistan and China permeate both capability and strategy. Both a significant Maoist insurgency and a demonstrated terrorist threat create a strong need for internal defense as well. For Indian leadership then its need for economic development is always juxtaposed with a very real requirement for security.

India's constant perception of existential threats justifies devoting significant, though not outlandish, resources to its armed forces. In *Maritime Affairs*, former Chief of Naval Staff of the Indian Navy, Admiral (Retd.) Arun Prakash explained:

No Indian can deny the fact that India's energies and resources must be fully devoted to the alleviation of the acute poverty that afflicts its masses and to developmental tasks. But India's experience has shown that these tasks can be properly addressed only if the nation is insulated against external intervention through adequate investment in national security. The point to note is that given the huge social, economic and developmental challenges facing it, India cannot be anything but a quintessential status quo power whose interests are best served by peace, tranquility and stability in the region.<sup>75</sup>

This reflects the experience of wars with both Pakistan and China over the last half century and the ongoing threats they pose. While it desires to be a status quo power, India must still constantly prepare for war with its neighbors.

Over the last decade, India has taken the opportunity provided by economic growth to significantly enhance its military. While spending moved from 2.8 percent of a GDP in the early 1990s to 3.1 percent by 2000 and back down to 2.5 percent in 2012, expenditures nearly tripled over the period (See Appendix). Its procurement plan, focused on modernization, made India the world's top arms importer from 2007-2011.<sup>76</sup> This is partly in response to acquisition reform, implemented in 2008, which streamlined a

---

<sup>75</sup> Arun Prakash, "Rise of the East: The Maritime Dimension," *Maritime Affairs: Journal of the National Maritime Foundation of India* 7, no. 2 (December 2011): 8, doi:10.1080/09733159.2011.648727.

<sup>76</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South Asia 2012*, 290.

corrupt and inefficient bureaucracy.<sup>77</sup> Indigenous production is still a goal, however, as the Defense Research and Development Organization seeks to enhance economic and industrial growth, sometimes at the cost of reduced short-term capability.<sup>78</sup> This resulted in a March 2012 letter from the Chief of the Indian Army to the Prime Minister exposing the state of the major fighting arms as “indeed alarming” and detailing the system’s major failings.<sup>79</sup> Crisis, however, did spur action unlocking several major programs. India’s neighbors ensure that claims of un-readiness must be answered at the highest levels of government.

Indian and Pakistan were born into conflict. The subject of numerous books itself, an in-depth study of this relationship remains beyond the scope of this study. This paper will then specifically focus on this conflict’s relevance to India’s great power relations later in this section. Since the partition of British India in 1947, India and Pakistan have engaged in conflict over Jammu-Kashmir. The history since then, long and bloody, was marked by four major conflicts in 1947, 1965, 1971, and 1999. With the exception of the 1971 war, all conflicts have involved Jammu and Kashmir on India’s northwestern border to a greater or lesser degree. The war in 1971 led to the creation of a sovereign Bangladesh from the former East Pakistan. Several other incidents, some involving loss of life, have punctuated the intervening stalemates. Recent notable incidents include a major standoff in 2001-2002, tensions after the 2008 Mumbai massacre, and border shootings in 2011 and 2013. The border situation remains unresolved.

India also fought its neighbor to the northeast. The geographical roots of the conflict lie in the conflicting maps of the colonial and post-colonial eras and the turmoil surrounding Burmese and Tibetan sovereignty. These complex causes are also mostly beyond the scope of this section of this study. Instead it will focus on the military power implications. In 1962, India and China clashed in the Himalayas. After months of skirmishes, China launched simultaneous attacks against Indian forces, effectively taking control of Aksai Chin. India, non-aligned in the Cold War, soon found itself seeking

---

<sup>77</sup> IHS Jane’s, *IHS Jane’s Sentinel Country Risk Assessments South Asia 2012*, 289.

<sup>78</sup> IHS Jane’s, *IHS Jane’s Sentinel Country Risk Assessments South Asia 2012*, 289.

<sup>79</sup> “Army Chief’s Letter to PM: General V K Singh Exposes Chinks in Armour,” *The Times of India*, accessed March 27, 2014, <http://timesofindia.indiatimes.com/india/Army-chiefs-letter-to-PM-General-V-K-Singh-exposes-chinks-in-armour/articleshow/12447751.cms>.

military assistance from the U.S. and Britain, covered in more detail later.<sup>80</sup> China continues to refute India's claim on Aruchanal Pradesh, ceded to India by a then-independent Tibet, and India's annexation of Sikkim in 1975. This leaves an ongoing dispute along the Line of Actual Control, which lies along the 2,500-mile border. Though diplomatic progress comes in fits and starts, there seems little chance of a major breakthrough. As recently as April 2013, India blamed China for a border incursion, resulting in small numbers of troops squaring off in an otherwise uninhabited area.<sup>81</sup>

Internally, India has also suffered violence since its inception. Maoist and other left-wing insurgencies operate across India; insurgents have been estimated to be in nearly a third of its administrative districts with 20,000 armed cadres in 2009.<sup>82</sup> More significant to this study, however, is the role of the decades-old Pakistan-backed insurgency in Kashmir. Claiming over 40,000 lives since 1989, it sparked major confrontations between India and Pakistan on multiple occasions. Pakistani crackdowns after the 2008 Mumbai attacks and a ceasefire along the Line of Control have gradually reduced conflict, however. Though significant for connections to foreign forces and ideologies, India does not currently face an existential threat from these groups. This phenomenon requires security forces intervention, but still allows them to focus externally.

The Indian military, with active insurgencies and enemies on its immediate land borders, is therefore optimized for national defense, not power projection. With potential extant threats on both its northwestern and northeastern borders, this means it must maintain significant capability and readiness. With an active strength of 1.1 million men, the world's largest all-volunteer army numerically dominates the other services. It maintains another 1 million men in reserve. The Air Force and Navy maintain 170,000 and 53,000 men, respectively.<sup>83</sup> Lack of a Chief of Defense or Chief of Joint Staff hinders the coordination of these forces, however. Similarly, no overarching doctrine and strategy documents spell out exact military objectives and policies. That each service operates

---

<sup>80</sup> Bruce O. Riedel, *Avoiding Armageddon: America, India, and Pakistan to the Brink and Back*, Brookings Focus Books (Washington, D.C: Brookings Institution Press, 2013), 60.

<sup>81</sup> "High Stakes," *The Economist*, April 30, 2013, <http://www.economist.com/blogs/banyan/2013/04/india-and-china-square>.

<sup>82</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South Asia 2012*, 286.

<sup>83</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South Asia 2012*, 246.

largely autonomously is manifest in feuds over Army-Air Force joint operations, including the role of attack helicopters and close air support.<sup>84</sup>

Major issues are associated with the need to modernize the force. The Army is particularly in need of improved tanks and artillery, especially considering China's military growth, though this will be partially alleviated by its procurement plan. Further, training came under scrutiny following high losses in last decade's Northwestern Deployment, a large internal troop movement. During a period of increased tension from December 2001 to October 2002, the Indian Army deployed 3 divisions to the Pakistani border. In an operation with no enemy contact, the army experienced nearly 2,000 casualties, officially acknowledging 473 deaths.<sup>85</sup> Many of these were attributed to "poor mine discipline" and did not demonstrate the expertise expected of a well-trained force.<sup>86</sup> The increased investment enabled by improved economic performance is having a positive effect, however.

The post-Cold War shift in economic relations and structure which led to closer ties with the West initially had little effect on the Indian military. Unable to radically alter its defense structures, the Indian military maintained its allegiance to Russian suppliers. In particular, Russia provides several high-end systems which help to balance Pakistani and Chinese capabilities. These include the licensed production of 140 SU-30MKI fighter aircraft, 310 additional T-90 main battle tanks, nuclear submarine leases, and the aircraft carrier *Admiral Gorshkov*. The addition of the Brahmos cruise missile, based on the Russian Yakhout, will likely provide India an advanced nuclear delivery capability from its TU-22M3 bombers and Akula submarines.<sup>87</sup> Two decades later, India remains one of Russia's largest arms customers, though the move to diversification is now evident.

In early 2011, India took a major step to expand its defense program by eliminating Russia's MiG-35 and U.S. F-16 from consideration for a new weapons contract. Instead, it picked the French-based Dassault's Rafale fighter, though final procurement negotiations are still underway. Expected in late 2014, the deal should include a significant amount of work for the Indian aerospace firm Hindustan

---

<sup>84</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South Asia 2012*, 248.

<sup>85</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South Asia 2012*, 253.

<sup>86</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South Asia 2012*, 53.

<sup>87</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South Asia 2012*, 239.

Aeronautics Limited.<sup>88</sup> This deal will likely include significant technology transfer and a long-term support contract with Dassault, now expected at 40 years.<sup>89</sup> Despite the F-16's elimination from contention, defense procurement ties with the U.S. are expanding as well.

In June 2011, India signed a deal to become the largest export user of the C-17 strategic airlifter. With five already delivered in 2013 and five more scheduled for 2014, the Indian Air Force will gain an important force projection capability. Combined with its existing fleet of C-130Js, India will be better able to reinforce its border forces in the event of conflict. This is especially important in delivering troops to India's northeastern border with China should tensions rise as they did in April 2013.

The decisions to diversify procurement represent multitude of factors. With nuclear proliferation troubles largely abated, improved relations with America and Europe fosters more competition for the Indian budget. In an uncertain world, this diversification also reflects India's willingness to interact more widely. Further, aforementioned questions of corruption incentivize foreign procurement over domestic when competition demands new capabilities. Indians also realize the importance of maintaining a technological edge, as in recent aircraft purchases, especially when in direction competition with its neighbors.

This high-level of aircraft procurement is also significant because it signals India's preparedness for a two-front war. Jane's assesses that this new arsenal of 126 Rafales, planned to be in service by 2018, and upgraded SU-30s "will be capable of countering whatever threat may be posed, even to the extent of a combined attack by Pakistan and China."<sup>90</sup> Further signaling this expansion, India also committed to procuring the Airbus A330 Multi-Role Tanker Transport, another major force projection capability upgrade.<sup>91</sup> Whether procurement goes ahead on schedule or not, however, will remain subject to the bureaucracies involved in India's defense-industrial complex.

---

<sup>88</sup> "India Seals Rafale Jet Deal with French Firm | The Indian Express," accessed March 4, 2014, <http://indianexpress.com/article/india/india-others/india-seals-rafale-jet-deal-with-french-firm/>.

<sup>89</sup> "India Seals Rafale Jet Deal with French Firm | The Indian Express."

<sup>90</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South Asia 2012*, 262.

<sup>91</sup> "Global Website - Airbus Military A330 MRTT Selected by Indian Government," accessed March 27, 2014, [http://www.airbus-group.com/airbusgroup/int/en/news/press.20130111\\_airbus\\_military\\_india\\_a330mrtt.html](http://www.airbus-group.com/airbusgroup/int/en/news/press.20130111_airbus_military_india_a330mrtt.html).

Located astride some of the world's largest trade routes, India's interests are commensurately wide.

From a power projection standpoint, many are now actually looking to India's Navy as the future of its influence the region. Admiral Prakash advances the term "'Indo-Pacific' to reflect the true regional strategic concerns,.. It encompasses countries on the Pacific as well as Indian Ocean rims. The 'Indo' here does not refer to India but to the Indian Ocean, whose intersection with the Pacific is being described as a 'hub' of the 21st century world. While Indo-Pacific need not replace any other term, it would be a far more inclusive and appropriate phrase, especially when you are referring collectively to areas on either side of the Malacca Straits."<sup>92</sup> Further, Robert Kaplan expects that if the India-China relationship has "hard edges," it will likely be "where the two countries' navies interact."<sup>93</sup> This is largely a product of geography.

India's long coastlines facing both east and west mean it has always been a party to the seaborne connections between Europe, Africa, Asia, and the Pacific. The Indian Ocean straits funnel a million ships each year.<sup>94</sup> On either side, the Straits of Hormuz and the Straits of Malacca are two of the world's most important chokepoints. As much as China faces a "Malacca dilemma," India could face a "Hormuz dilemma" if Pakistan controlled the chokepoint. Beyond geography, however, Westerners also possibly exacerbated an Indian sense of encirclement by hyping China's "string of pearls" strategy, its basing and diplomatic ties across the Indo-Pacific.<sup>95</sup> Further, in both 1993 and 2008, the perpetrators of major terrorist attacks arrived by sea. To this end, India continues to make large advances in naval capability.

While the Indian Navy has identified itself as a future blue water force since its inception, this concept only came to fruition in the last two decades. It is the world's fifth largest maritime force.<sup>96</sup> It already far outpaces Pakistan's Navy, but historically suffers from low budgets and an aging fleet. Until 2013, the Indian Navy's single carrier gave it power projection capability, but the ship would surely be a prime target for Pakistani

---

<sup>92</sup> Prakash, "Rise of the East," 6.

<sup>93</sup> Robert D. Kaplan, *Monsoon: The Indian Ocean and the Future of American Power*, Random House trade pbk. ed (New York: Random House Trade Paperbacks, 2011), 280.

<sup>94</sup> Kaplan, *Monsoon*, 127.

<sup>95</sup> "China Builds up Strategic Sea Lanes - Washington Times," accessed May 1, 2014, <http://www.washingtontimes.com/news/2005/jan/17/20050117-115550-1929r/>.

<sup>96</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South Asia 2012*, 272.

submarines. In addition, the carrier is more than 50 years old, beginning its service as the Royal Navy's HMS Hermes in 1959.<sup>97</sup> Balancing China's growing Navy will be more challenging. To this end, it is undergoing a large modernization and enhancement program.

Navy leaders foresee it centered on three aircraft carrier battle groups and are quickly approaching that goal.<sup>98</sup> In 2013, the IN commissioned INS Vikramaditya, a former Soviet carrier, and launched its first indigenously-built carrier, the INS Vikrant.<sup>99</sup> With China obviously in mind, then Chief of the Indian Naval Staff Admiral Devendra Kumar Joshi, focused on the Indo-Pacific theme last November. At the launching of the Galle Dialogue, a forum on regional maritime issues, he considered the region "as a potential canvas for global power rivalries and home to past, present and perhaps, future leaders of world economy, the region is set to dominate this century's geo-politics."<sup>100</sup> The leasing and development of new submarines, including SSNs, further illustrates this strategic modernization. In the last three years, the IN commissioned 16 ships, including 4 stealth frigates and a nuclear-powered Akula-class nuclear submarine, making it only the sixth nation with this capability.<sup>101</sup> Commensurate with additional ships, the IN's force laydown is changing as well.

India is improving basing options, but facing major challenges as well. Partly to disperse this force more widely, and also as China forged maritime cooperation with Pakistan at Gwadar, India built a new \$8 billion naval facility at Karwar on its Arabian Sea coast.<sup>102</sup> Across the sea to the Southwest, India is also forging naval relationships with Madagascar, Mauritius, and the Seychelles, just as China has done. On the latter two islands, Indian naval officers worked prominently with their respective coast guards.<sup>103</sup> Contrary to this rapid expansion or possibly because of it, a series of accidents have

---

<sup>97</sup> "Surface Ships : Naval Fleet : Indian Navy," accessed March 26, 2014, <http://www.indiannavy.nic.in/naval-fleet/ships?page=0,1>.

<sup>98</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South Asia 2012*, 273.

<sup>99</sup> "Launching Ceremony of Indigenous Aircraft Carrier 1, Kochi : CNS Speeches : Indian Navy," accessed March 26, 2014, <http://www.indiannavy.nic.in/cns-speeches/launching-ceremony-indigenous-aircraft-carrier-1-kochi>.

<sup>100</sup> "Galle Dialogue-2013 'Emerging Maritime Interests in Asia Pacific - an Indian Perspective', Sri Lanka : CNS Speeches : Indian Navy," 2.

<sup>101</sup> "Farewell Press Conference by Outgoing CNS : CNS Speeches : Indian Navy," accessed March 27, 2014, <http://www.indiannavy.nic.in/cns-speeches/farewell-press-conference-outgoing-cns>.

<sup>102</sup> Kaplan, *Monsoon*, 128.

<sup>103</sup> Kaplan, *Monsoon*, 128.

highlighted troubles. Over the last few years, major fires claimed lives on Indian submarines, two frigates collided with merchant vessels, and fire gutted a minesweeper.<sup>104</sup> This culminated in the resignation of Admiral Joshi in February 2014.<sup>105</sup> These troubles are even more serious as the Navy seeks to stand up the third leg of the Indian nuclear triad. Any jockeying for influence in South Asia or the Indo-Pacific is conducted under a veil of strategic deterrence.

The question of nuclear weapons pervades both Pakistani and Chinese relations, but no longer U.S. relations. From India's lone stand in 1971 against Pakistani forces and Chinese and American pressure (discussed in the next section), India determined that nuclear weapons were a necessary part of an arsenal.<sup>106</sup> Today, it possesses short-, medium-, and intercontinental-range ballistic missiles, as well as cruise missiles.<sup>107</sup> Most recently, it successfully tested the Agni V with a 2,700 nm range, placing most of China at risk.<sup>108</sup> China predictably objects to India's arsenal, but the U.S. eliminated sanctions in 2001, discussed later in this study. India's declared policy is "no first use," but the topic of pre-emption has been the subject of speculation; India's foreign minister reiterated this policy in 2011.<sup>109</sup> In CNS's farewell speech in early 2014, he forecast the completion of the Indian triad and echoed India's nuclear policy:

You are aware that the Arihant [first Indian SSBN] is steadily progressing towards its operationalisation, and we hope to commence sea trials in the coming months. Given our unequivocal "no-first-use commitment" a retaliatory strike capability that is credible and invulnerable is an imperative. The Indian Navy is poised to complete the triad, and our maritime and nuclear doctrines will then be aligned to ensure that our nuclear insurance comes from the sea.<sup>110</sup>

---

<sup>104</sup> "The Sinking Feeling over Indian Navy," accessed March 28, 2014, <http://www.aljazeera.com/indepth/opinion/2014/03/sinking-feeling-over-indian-navy-20143665414242983.html>.

<sup>105</sup> "Farewell Press Conference by Outgoing CNS : CNS Speeches : Indian Navy."

<sup>106</sup> Riedel, *Avoiding Armageddon*, 78.

<sup>107</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South Asia 2012*, 316.

<sup>108</sup> "India Launches Long-Range Missile," *BBC News*, accessed March 26, 2014, <http://www.bbc.co.uk/news/world-asia-india-17765653>.

<sup>109</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South America 2013*, 315.

<sup>110</sup> "Farewell Press Conference by Outgoing CNS : CNS Speeches : Indian Navy."

This secure second-strike capability will make India a particularly potent force, adding a layer of security to improved conventional forces. This enhanced capability has not gone unnoticed internationally.

The Indian military maintains important partnerships both regionally and beyond. It regularly conducts exercises with the U.S., UK, France, and Russia.<sup>111</sup> It has also exercised alongside Chinese forces on a smaller scale, despite extant disputes.<sup>112</sup> Naval exercises, including MALABAR with the U.S., MILAN with 12 Indo-Pacific states, and IBSAMAR with Brazil and South Africa demonstrate a willingness to establish wide security relationships.<sup>113</sup> Other states, including Japan, are looking to join in the future.<sup>114</sup>

India has long attempted to ensure its security against hostile neighbors. Now it seeks to maintain security in its regional sphere of influence. Economic growth over the last two decades allowed it to expand its military power to this end. This increased capability unlocks both economic and diplomatic ties with its neighbors, especially those concerned with China's growing sphere. India's strategic expansion clearly puts it in the Great Power club and solidifies its power in South Asia and the Indo-Pacific.

### India - Diplomacy

India is not a diplomatic juggernaut, though its aspirations are developing. Its diplomatic engagement is relatively low considering its economic and military importance. An air of caution generally characterizes this engagement. To maximize the impact of a small diplomatic corps, it participates in many international forums and organizations. *The Economist* summed India's diplomatic power more bluntly: "Put less kindly, India is still punching well below its weight in foreign affairs."<sup>115</sup> As a longtime

---

<sup>111</sup> "Malabar 2013 Kicks Off," accessed March 28, 2014, [http://www.navy.mil/submit/display.asp?story\\_id=77445](http://www.navy.mil/submit/display.asp?story_id=77445).

<sup>112</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South Asia 2012*, 279.

<sup>113</sup> IHS Jane's, *IHS Jane's Sentinel Country Risk Assessments South Asia 2012*, 279.

<sup>114</sup> Erik Slavin, "Japan Looks to Join India, US in Naval Exercise," *Stars and Stripes*, accessed March 28, 2014, <http://www.stripes.com/news/pacific/japan-looks-to-join-india-us-in-naval-exercise-1.261788#.UzWr2YUmxEI>.

<sup>115</sup> "No Frills."

recipient of foreign aid, however, it is testing the waters as a donor. For a country managing tremendous domestic growth and societal transitions, however, the turbulence of an activist foreign policy would be unwelcome. Instead, India focuses diplomatic power on supporting this domestic agenda. Regional relations with Pakistan and China are of primary importance, but U.S. and Soviet (now Russian) relations have played an important role as well.

If a country's influence abroad can be measured by the size of its diplomatic corps, India does not rate well. It has only 800 diplomats, roughly on par with Singapore. For comparison's sake, this is a fifth of China's and only a twenty-fifth of America's corps.<sup>116</sup> While not a direct correlation, of course, this small number does affect India's relationships with other states. Without oversight and assistance, India's companies must expend more effort in setting up operations overseas. Policy synchronization can also be slowed by virtue of limited capacity, especially when forging new relationships.

Despite the limitations of a small diplomatic corps, India has used its clout to forge closer ties throughout South Asia and beyond. Notably, many of these ties are with important U.S. allies in the region. Ties with Australia are getting closer and Japan provides both aid to and investment in the Indian economy.<sup>117</sup> Significantly, India has also forged a "strategic partnership" with Indonesia which includes dialogue on maritime security.<sup>118</sup> Many of the military relationships mentioned in the last section are also leading to, or a result of, budding policy coordination. China's actions in the South China Sea and 2013 airspace declaration seem to be providing additional impetus.

Beyond economic and military power, India is also investing in public diplomacy.<sup>119</sup> Ian Hall finds this "is partly a response to concerns about the perceived growth of Chinese soft power and partly a function of changed beliefs in the foreign policy-making elite about the uses of new social media."<sup>120</sup> The Ministry of External Affairs is active on Facebook and has 154, 000 Twitter followers on

---

<sup>116</sup> "No Frills."

<sup>117</sup> "No Frills."

<sup>118</sup> "Eastern Promise."

<sup>119</sup> Ian Hall, "India's New Public Diplomacy: Soft Power and the Limits of Government Action," *Asian Survey* 52, no. 6 (December 1, 2012): 1089–1110, doi:10.1525/as.2012.52.6.1089.

<sup>120</sup> Hall, "India's New Public Diplomacy," 1089.

@IndianDiplomacy.<sup>121</sup> This of course is no substitute for policy. Rather, it is a part of a wider set of policies to take advantage of India's "brand" across South Asia and better connect with its large diaspora. It finds that India's new public diplomacy seems to have met with some initial success in augmenting its soft power, but will need to keep pace with India's rise.<sup>122</sup> For the purposes of this study, however, more formal diplomatic actions still better signaled the turning points in India's U.S. and Chinese relationships.

Despite all they have in common, the U.S. and India have been at odds for most of the latter's existence. Both are very large democracies where the central government shares power with strong internal states. Both promote civil liberties, rights, and freedoms. In 1947, however, as the British oversaw partition, America largely stayed away. The Cold War dwarfed all other geopolitical considerations, making the U.S. an uneasy ally with Pakistan, despite attempting to maintain good relations with India. In *Avoiding Armageddon*, Bruce Riedel described, "America wanted an alliance to contain Russia; Pakistan wanted an alliance to confront India. The resulting tension would bedevil the allies for decades." He continued, that "the United States also was uncomfortable with being an adversary of India, which it considered too big and too democratic to divorce. So several presidents tried to have it both ways...their efforts consistently failed."<sup>123</sup> This is also due to India's stance in the Cold War.

India sought to maintain neutrality in the Cold War by leading the third option, the Non-Aligned movement. Riedel described how this troubled American leadership, especially Nixon and Dulles, who couldn't understand how a like-minded democracy could not be staunchly anti-communist and therefore anti-Soviet. Meanwhile, and doubly troubling for India, Pakistan became a bulwark of America's influence in the region, even hosting a secret U-2 base near Peshawar.<sup>124</sup> The 1962 conflict would change the regional calculus though. With Chinese forces unchecked on India's northeastern border, Nehru went so far as to request direct American military intervention to prevent China from

---

<sup>121</sup> "Indian Diplomacy (IndianDiplomacy) on Twitter," accessed March 28, 2014, <https://twitter.com/IndianDiplomacy>; "Ministry of External Affairs, India," *Facebook*, accessed March 28, 2014, <https://www.facebook.com/MEAINDIA>.

<sup>122</sup> Hall, "India's New Public Diplomacy," 1089, 1110.

<sup>123</sup> Riedel, *Avoiding Armageddon*, 47.

<sup>124</sup> Riedel, *Avoiding Armageddon*, 53–56.

advancing toward Calcutta.<sup>125</sup> Luckily, the unilateral ceasefire meant that this conflict would not expand beyond aid via rapid American airlift. Equally important to India, however, Washington kept Pakistan from moving on India's weakness to create a second front.

In the early 1970s and specifically during the 1971 crisis and massacres in East Pakistan, the U.S. kept its distance. Nixon's fondness for Pakistan and its integral role in reestablishing American links to China meant very little connection with India.<sup>126</sup> In fact, Nixon turned a blind eye to atrocities in East Pakistan forcefully reported to him by the State Department.<sup>127</sup> Perceiving the close U.S.-Pakistan-China connections, India turned to the U.S.S.R, signing the Indo-Soviet Friendship Treaty. When Pakistan pre-emptively attacked, Cold War politics prevailed and the U.S. treated India as aggressor and stationed an aircraft carrier in the Bay of Bengal. Riedel points out that U.S. diplomatic efforts, some urging illegal arms transfers and Chinese aid to Pakistan, however, did not avert a crushing defeat for Pakistan. Again, the U.S. lost face in both camps, Riedel deftly summarized: "India had expected America to support a campaign to stop genocide; Pakistan had expected America and China to do something to stop India."<sup>128</sup> Bangladesh became an independent state.

U.S.-Indian relations suffered then rebounded in the ensuing decades. An isolated India tested its own nuclear weapon in 1974. This effort was not only for the deterrent message to the world audience, but aimed to reassure the Indian domestic audience. The U.S. intelligence community realized that "a test would be popular at home, stimulate a rising sense of national pride and independence, and—in the eyes of many—reinforce India's claim that it should be taken seriously as a major power."<sup>129</sup> In late 1974, the Ford Administration attempted to make up for the 1971 crisis, to little avail. A year later, America removed the arms embargo on both Pakistan and India, which India perceived this as a benefit to Pakistan. Later that year, India openly applauded the communist victory in Vietnam to America's ire. In the late 1970s, with an authoritarian government, a coup, and an embassy siege in Pakistan, America again tried rapprochement with India,

---

<sup>125</sup> Riedel, *Avoiding Armageddon*, 61.

<sup>126</sup> Riedel, *Avoiding Armageddon*, 76.

<sup>127</sup> Riedel, *Avoiding Armageddon*, 73.

<sup>128</sup> Riedel, *Avoiding Armageddon*, 78.

<sup>129</sup> Riedel, *Avoiding Armageddon*, 79.

realizing its importance. The Soviet invasion of Afghanistan, however, firmly placed the U.S. foreign policy behind Pakistan which was also building a Kashmiri insurgency. With the Afghan War winding down, the fall of the Soviet Union, and the India-Pakistan conflict in Kashmir, the U.S. now made nuclear non-proliferation a primary goal in South Asia. In 1998, India's nuclear tests, described as aimed at China, provoked Pakistani tests, pushing South Asia up the U.S. political agenda.

The present shift toward U.S.-India relations began in 1998 as well. The embassy bombings drew attention to Al Qaeda and its Pakistani ISI connections. The Kargil War, a Pakistani invasion of India in 1999, quickly led to unequivocal U.S. support to India.<sup>130</sup> Given an ultimatum, Pakistan publicly sided with America after 11 September 2001, but Indian relations warmed as well. On 18 July 2005, the U.S. and India agreed to a Civil Nuclear Agreement, giving de facto immunity from the Nuclear Non-Proliferation Treaty, a sticking point in U.S.-India relations. By 2010, President Obama voiced his support for India's inclusion on the UN Security Council, recognizing its growing power. India is also increasingly connected to U.S. allies in the region who also see benefits in balancing against China. Their societies increasingly have connections through diaspora, partly because of Indian efforts to connect with expatriates, and their businesses abroad. The U.S. relationship with Pakistan is also an important one for India. India views America as the only state which is able to help moderate Pakistan's behavior in South Asia.<sup>131</sup> *The Economist* described the "official equanimity" of Prime Minister Singh as Pakistani Prime Minister Nawaz Sharif met Barack Obama in Washington in October 2013.<sup>132</sup> Despite the apparent shared interests, however, the U.S. and India do not present a united front.

There is evidence that the U.S.-India partnership is not as tight as many would profess. The minor-turned-major diplomatic incident in the fall of 2013 over the arrest of an embassy worker is illustrative. An Indian maid, the employee of the embassy worker, complained about being underpaid, resulting in the arrest of the embassy worker as a common criminal. Though not actually entitled to diplomatic immunity, the U.S. State Department eventually authorized her full immunity after approving a move to a position

---

<sup>130</sup> Riedel, *Avoiding Armageddon*, 132.

<sup>131</sup> "No Frills."

<sup>132</sup> "Eastern Promise."

at the UN. Despite seemingly minor stakes, the diplomatic confrontation became intense as neither country wanted to compromise its principles. The humiliation and criminal charges against an Indian embassy worker resulted in the snub of an American Congressional delegation and the cancellation of a trip by America's Energy Secretary.<sup>133</sup> In *The Economist*, Banyan columnist described that:

More fundamentally, the tiff has uncovered a deep rift in the two countries' perceptions of one another. From the Indian perspective, America remains unwilling to afford it the respect a true partner deserves. And from the American, the Indian response reveals both a brittle anxiety about its own status and a callous disregard for the well-being of the person the American justice system saw as the victim in this story—the maid. Rather than partners, the two countries look like strangers.<sup>134</sup>

This commentary underscores, however, how important it is for India to perceive that it is also a Great Power in the eyes of the U.S.. In fact, much of the discussion centered on whether the U.S. would dare do the same to an employee of the Russian or Chinese Embassies. That America eventually backed down in the row, however, shows an awareness that its Indian relationship is valuable. It would be naïve to think that India has forgotten America's frequent trysts with its arch-enemy Pakistan, however. America and India have much in common, many shared interests, and a lot to gain from being close allies, but history will fade slowly.

Ties with China are very important to India, but are ultimately competitive in nature. In fact, India's recently linkages in the Asia-Pacific region mostly seem to balancing against Chinese influence. Central to Indian-Chinese tension is their shared 2,100 mile border across the Himalayas, an ongoing source of dispute. As recently as April 2013, Chinese forces moved into Ladakh, sparking a 3-week standoff. Rival claims are only exacerbated as roads and infrastructure are built near the border and India enhances its ability to air-deliver troops to the region. Notably, however, Indian and Chinese military leaders signed a Border Defence Co-operation Agreement in an attempt to avoid conflict along the unmarked border.<sup>135</sup> This does not actually settle the dispute, however, which requires acknowledging permanent territorial boundaries. According to

---

<sup>133</sup> "India Shows Who's Boss," *The Economist*, January 10, 2014, <http://www.economist.com/blogs/banyan/2014/01/america-and-india-odds>.

<sup>134</sup> "India Shows Who's Boss."

<sup>135</sup> "Eastern Promise."

*The Economist*, “This almost certainly means accepting existing areas of control: China keeps Aksai Chin in the west, India holds on to Arunachal Pradesh in the east.”<sup>136</sup> There is no evidence that this type of agreement is imminent or likely, however.

The future of Afghanistan, a troubled neighbor to several South Asian nations, is also a point of contention. In fact, India and Pakistan struggled for influence there well before the advent of the U.S. War on Terror. Pakistan sees Afghanistan as another Muslim nation that can help isolate mainly Hindu India in South Asia. In the 1980s then, Pakistan supported Islamic insurgents against the secular Najibullah regime allied with the Soviets.<sup>137</sup> The U.S., fatefully, would support Pakistan’s ISI in advancing the anti-Soviet cause by supporting the insurgents, many of whom went on to be the Taliban. It would then reverse course in the post-Soviet era after 11 September 2001. India, however, consistently supported the secular government in Kabul to prevent the solidarity of Muslim Central Asia. They fear that this could also increase danger in Jammu and Kashmir, India’s only Muslim-majority state.<sup>138</sup> India will therefore continue to support any secular government in Kabul, but prospects are uncertain.

Finally, India is channeling its diplomacy through many regional forums, attempting to achieve the maximum impact for its relatively small number of diplomats. It does so through the UN, IMF, WTO, and G-20, but also regional organizations including the Association of Southeast Asian Nations (ASEAN) Regional Forum and Indian Ocean Rim Association (IORA).<sup>139</sup> Whereas China leads ASEAN, India leads the IORA, each standing as associates in the other’s organization.<sup>140</sup> China also stands in the way of Security Council reform which would bring India additional diplomatic power.<sup>141</sup> Larger issues like border disputes need to be resolved before international organizations create real positive outcomes between the great powers. Opportunities for dialogue and increased interaction may provide the space for incremental policy coordination.

---

<sup>136</sup> “Eastern Promise.”

<sup>137</sup> Kaplan, *Monsoon*, 131.

<sup>138</sup> Kaplan, *Monsoon*, 131.

<sup>139</sup> Bureau of Public Affairs Department Of State. The Office of Website Management, “India,” Press Release|Fact Sheet, *U.S. Department of State*, December 21, 2012, <http://www.state.gov/r/pa/ei/bgn/3454.htm>.

<sup>140</sup> “Background - IORA - Indian Ocean Rim Association,” accessed April 2, 2014, <http://www.iora.net/about-us/background.aspx>.

<sup>141</sup> Riedel, *Avoiding Armageddon*, 177.

## India - Prognosis

India has the demographic and economic underpinnings of a great power state. It has the advantage of hundreds of millions of people still waiting to join the labor pool. Of course, it must feed, clothe, and educate these millions, a feat in itself. Though the crony capitalists that surged to power after the reforms of the 1990s are in power, it seems that their days may be numbered. As India responded to deep crisis in the past, it is poised to respond again. Signs suggest that reforms to governance will blunt the rent-seeking oligarchies, to the benefit of the wider economy. According to *The Economist's* Crony-Capitalism index, India has already improved from sixth to ninth and the upcoming 2014 elections will likely bring in some anti-graft campaigners. As it did in past wars and economic difficulties, all while considering the privation of its population, India should be able to overcome its own tycoons to return to growth.

Economic growth will propel India's rise as a world power. Moving from a low starting point gives it a great advantage in achieving higher economic rankings. An expanding middle class is integrating into the world economy. Scale dictates that despite less than optimal educational outcomes, huge numbers of qualified personnel will join the workforce. Similarly, increases in productivity will have outsize effects as well. In this way India is poised to take advantage of its demographic dividend. Energy and water shortages, however, could negatively impact this rise. For this reason, India has translated some of its growing economic clout into military capability.

South Asia is one of the world's most dangerous neighborhoods and will remain so for the foreseeable future. India's recent moves toward modernization and procurement reform are designed to help it cope with this reality. Freeing itself from dependence on the Russian market means that it will be able to better create a force tailored for its security needs. It will also be able to take advantage of western technology transfers and pursue better deals. Increased power projection capabilities are particularly important as China seeks to secure its own energy supplies across the Indo-Pacific region. As Pakistan's army continues to focus on internal threats, India will also have slightly more leeway to redeploy from its Western borders. India's increasing power disparity

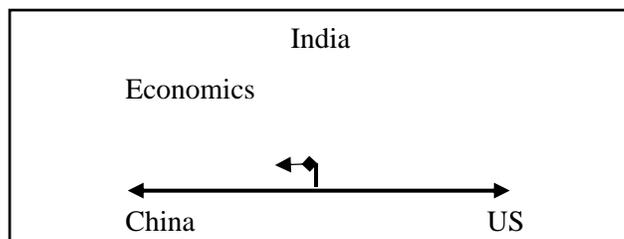
over Pakistan should reduce the chances of future Pakistani aggression. Again, the progress of the armed forces depends on continued economic growth.

India will use this increased economic and military leverage in order to bolster its position in the international system. Economic and military engagement will increase with other states in the Indo-Pacific region and elsewhere, especially where states would like to hedge against Chinese influence. India will not however focus on becoming a diplomatic powerhouse at the same rate as China though. Managing internal pressures will continue to come first. India will therefore maintain autonomy in its diplomatic relationships.

### Implications for a new bipolarity

India has the most growth potential of any state in the coming decades. This growth will not come easily, however, as reforms are necessary to unlock much of it. Historical trading ties to Europe will remain important. The English language will also continue to connect India, especially its knowledge-related industries, to America. Barring diplomatic or military confrontation, however, India will also increase trade volume with China. India's middle class will grow, and like the rest of the world will demand Chinese goods. Competition for resources may put the two at odds in the Indo-Pacific, but their mutual need for economic growth will overcome this tension. As long as the security and diplomatic impasses remain, however, each will avoid entanglement to the point of vulnerability. The U.S. will maintain closer economic ties, but a drift toward parity will likely accompany China's rise to economic equality and bipolarity.

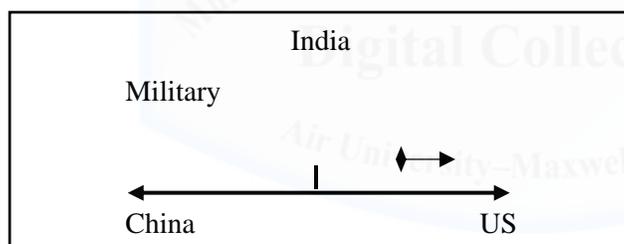
**Figure 8: India – Economics**



*Source: Author's Original Work*

India's military power will more closely align with the U.S. as China rises. As the U.S. and its allies continue a competition for freedom of maneuver in the Pacific, India and many of those same allies will be ready to contest the Indo-Pacific. Its relationship with the U.S. will therefore likely increase in importance as China's power expands. Conversely, as resource rivalry ensues, India will use its strategic geography to guarantee influence in the Indo-Pacific. Extant border disputes may become solvable if China becomes more secure in its own position in the system, but this is unlikely during an uneasy transition to bipolarity. Outright military confrontation is not advantageous to either side, however. Competing advances in naval power mean that conflict would be costly to both sides. The nuclear dimension to this relationship further means that India and China have a shared interest in deescalating any tensions in the region. Both would like to focus on internal issues and growth, rather than conflict, as their middle classes expand. In toto, however, the Indian military will still see China as a near adversary while the U.S. will remain a potential ally.

**Figure 9: India – Military**



*Source: Author's Original Work*

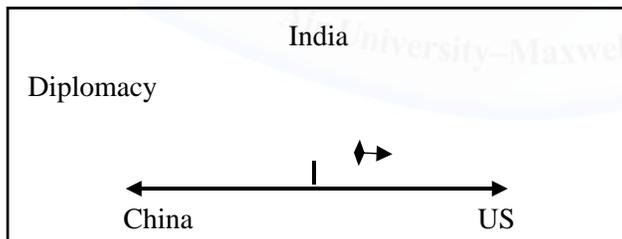
India is the nation best poised to compete with China's scale. It similarly faces managing internal transitions and realizes that foreign engagement is necessary to open markets and influence regional security. Geography dictates that it will continue to compete for neighborly sway in a shared near abroad. A rather small diplomatic corps reflects the focus on internal issues, but budding public diplomacy signals the realization that soft engagement complements its economic and military power. This will mature as India offers a more open and benign partner in the region. India can relate to developing countries in a way that America can't.

Projections on Indian-American solidarity are often overblown, however. America has reason to support India's rise as a democratic ally, especially as it draws troops away from South Asia. America has also signaled that it will support its allies in

ensuring regional stability and resist Chinese dominance that reduces this stability. Assuming a peaceful rise to bipolarity, however, means that America will be less able to do this without the assistance of other Great Powers. Taking Japan's reconsideration of its defense forces and Australia's growing capability into account, it is evident that other nations realize this as well. China's expanding sphere of influence, including relations with Pakistan, only reinforces India's desire to rise in the Indo-Pacific. While this would seem to push India squarely into America's corner in a new bipolarity, it overlooks India's seven decades of experience in interacting with America. A decade of shared interest is unlikely to induce amnesia.

India, like other states, will attempt to gain all that it can in the transition back to bipolarity. This means cautious engagement with China to facilitate mutually beneficial economic ties. It also means closer defense ties to America and its allies in the Indo-Pacific. Assuming a tense, but peaceful transition to bipolarity, however, means that the security relationship will not necessarily be so privileged that India and America move in lockstep. India will remain closer to America than China, but will still seek its own path in its rise.

**Figure 10: India -- Diplomacy**



*Source: Author's Original Work*

## Chapter 6 Putting the Puzzle Together

*There are no problems we cannot solve together,  
and very few that we can solve by ourselves.*

- President Lyndon Johnson

### Overview

The last three chapters examined rising states' individual reactions to a new bipolarity. This section will draw out broader trends. As none of the chapters pointed to a certain future, this chapter will explore possible perturbations. *Best* and *worst* cases would imply that this study determined the two logical ends of a dialectic—I make no such claim. Instead, this chapter will focus on *favorable* and *unfavorable* versions of hegemonic transition.

Again—this study assumes that China grows to create a bipolar system—the favorable case, therefore, cannot explore the U.S. rising to new heights of hegemony. It can, however, suggest futures where the change occurs more slowly, stably, and beneficially. Conversely, the U.S. could take actions on the way toward bipolarity that exacerbate the shift, creating instability and a precipitous diminution of power in the international system. Finally, for the sake of acknowledging the dangers of future casting, this chapter will highlight several of the factors which could derail any likely future. Chapter 7 will suggest U.S. policies which may increase the likelihood of the most favorable scenario.

### Connections

Though this study analyzed each state in triadic relations with the U.S. and China, lessons derived from their summation may be more useful. Since this study focuses on the interaction of states in an international system, all of its previous findings and prognoses must be tied together. Russia's actions will certainly affect India's, for example. While it would be simple to say that each will act in accordance with Kugler's

and or Gilpin's theories, each state's self-perceptions and perceptions of the international system dictate how they will do this. This section will consider this wider context, taking economic, military, and diplomatic relations in turn.

The distribution of economic power in the international system will underwrite changes in military and diplomatic power over the next decades. Brazil, Russia, and India all currently rank at an approximate GDP of \$US 2 trillion, but their relative potentials are different. All three are likely to expand in the medium and longer terms. India's economy is starting from the lowest point, but has the most potential. Brazil is structurally limited by its overly-developed social spending. Poor infrastructure hinders short-term growth for both India and Brazil. Governmental oversight and bureaucracy also hinders their abilities to overcome this poor infrastructure. Both also limit foreign investment to prevent the marginalization of their domestic industries. Both governments must also stay focused on development and education for large swathes of their populations. Though Brazil seems to have partially squandered its demographic dividend, it remains in a better situation than already-aged Russia.

Russia has similar longer-term prospects for economic growth, but these targets have slipped due to different governance problems. An increasingly authoritarian Russia is deepening the alienation of foreign private investors. Real GDP growth of 1.5 percent in 2013, and 2 percent forecast for 2014 represent several factors.<sup>1</sup> As American, Brazilian, and Australian energy sources are "fracked" into existence, Russia stands to lose some of its petrol clout. Based on Russia's recent belligerence, European customers will look to diversify their supplies as well. Further, two of its major trading partners, India and China, are quickly building their indigenous advanced arms production capabilities, hurting one of Russia's few remaining non-resource economic sectors. Domestic demand for arms, however, is high as Russia re-asserts itself as a global military power. As at the end of the Soviet Union, however, massive defense spending is unlikely to cover the other faltering economic sectors. India and Brazil, on the other hand, are similarly aiming to enhance military capabilities, but only amongst other growing economic sectors.

---

<sup>1</sup> "Russia Economy, Politics and GDP Growth Summary," accessed April 7, 2014, <http://country.eiu.com/russia>.

It is important to revisit the debate on relative and absolute gains, however. For America, 2.4 percent growth in 2020 could be \$470B. For China, 6.8 percent could mean \$900B. Russia, Brazil, and India will likely each grow by fractions of that amount at \$90B, \$70B, and \$180B, respectively. This does not mean, however, that these nations are insignificant.

As each of the three nations in our study seems to show, the translation of economic power into military power will remain preeminent in the international system. As Gilpin and E.H. Carr agreed, power and prestige will continue to play prominently.<sup>2</sup> In fact, each of the states is attempting to secure or increase their position in the hierarchy of the international order. Russia's modernization stands out in its ability and willingness to contest its near abroad. India's power projection capability seems designed to send a message to both Pakistan and China that its sphere of influence extends across the Indian subcontinent and simultaneously across the Indian Ocean. Even Brazil, with no existential threat, is heavily investing in military growth to match its economic growth. Again considering absolute numbers, however, the U.S. and China will stand well ahead of the rest in terms of resource available for defense. In fact, when they reach economic parity, diplomacy would seem to be more important than ever. Though theorists debate the role of alliances in measuring long-term power relationships, their prevalence seems undiminished.

Examining rankings and nodal arrangements in the international system too closely, however, can obscure geography. Central Asia ties the Great Powers together, forcing their spheres of influence to intersect. Resources, including energy and water, are becoming scarcer. Russia's historic and current willingness to use military power to support client states and governments may already be surpassed by China's growing influence. Combined with an Indian threat to the South, however, Japan to the East, and America everywhere, China's position seems much less dominant in the region. As the international system becomes more bipolar from an economic perspective, Asia has the potential to turn into a proverbial "Mexican standoff." If, according to Gilpin, states will seek to expand in each type of power (economic, military, and diplomatic) until costs outweigh benefits, the great powers will find expansion difficult in Asia.

---

<sup>2</sup> Gilpin, *War and Change in World Politics*, 31.

The proliferation of nuclear weapons makes the calculation more dangerous, but possibly simpler. There are few instances now when China or India could gain decisive advantage in a nuclear exchange. In the near future, nuclear-armed submarines will make this calculation even more difficult. In this arena, Russia actually has a clear advantage, but this is unlikely enough to make a nuclear exchange beneficial. The fact that all of these states have committed to enhancing their conventional arsenals is actually encouraging. Thomas Schelling's comments on the Soviet context now probably apply more widely: "It reflects a tacit Soviet acknowledgement that both sides might be capable of non-nuclear war and that both sides had an interest, and interest worth a lot of money, in keeping war non-nuclear—keeping it non-nuclear by having the capability of fighting a non-nuclear war."<sup>3</sup> Hopefully, however, it will be diplomacy that prevails in all of these cases.

Examining Brazilian, Russian, and Indian diplomatic power shows both similarities and differences. Each "desires" recognition of its increasing relative power in the international system. As Organski described, "The challengers, for their part, are seeking to establish a new place for themselves in international society, a place to which their increasing power entitles them."<sup>4</sup> Their relationships to this international society are different, however. Brazil and India have grown under the current international system, but largely shaped their own paths separate from the Great Power consensus. Russia saw its position as leader of a wider Soviet empire undermined by the current system.

Brazil and India have both become part of international institutions and sought to shape international discourse on relevant issues. Brazilian and Indian campaigns to join the UN Security Council reflect their motivation to make a bigger impact on the world stage. Their increased power projection capabilities also reflect this willingness. Regional impacts are more likely in the short term, but both consider parts of Africa in their sphere of interest. Their connection as part of the global South and as non-aligned nations during the Cold War also shows this penchant for independence. India's willingness to disregard the Nuclear NPT and Brazil's forays into Middle Eastern politics further illustrate this willingness. Even Brazil's hosting the World Cup and Olympics, at great national

---

<sup>3</sup> Schelling, *Arms and Influence*, 296.

<sup>4</sup> Organski, *The War Ledger*, 19.

expense, show this desire for global recognition. Neither, however, is a diplomatic powerhouse.

Russia, on the other hand, is a diplomatic dynamo and fully taking advantage of the legitimacy it re-gained over the last decade. In fact, it is playing off the cache earned during the Soviet era, pretending to be invincible under uncertain economic conditions. It is a member of the international institutions which help to codify international norms and uses these institutions to advance a self-interested agenda, rather than the norms themselves, through selective application. Applying the responsibility to “protect” its citizens in South Ossetia and now Crimea actually demonstrates a distinct lack of respect for state sovereignty. Some would point out, however, that America’s invasion of Iraq in 2003 set the precedent. Using the UN Security Council to protect the Assad regime in Syria is an even clearer demonstration of the selective application of international norms.

Just as a rising China will have an important impact on international norms, so will the other rising powers. In fact, the other Great Powers, including the rising ones, will ultimately judge how far Russia can bend international norms before it faces a backlash. While America and the European powers are more directly interested in Russia’s latest foreign policy maneuvers, global instability will affect both Brazil and India as well. India especially will consider its own territorial and sovereignty issues before taking stances on the Russian issue. If both Brazil and India leave the “difficult” world issues to the historical Great Powers though, international norms will likely atrophy from lack of exercise. China’s opposition to UN Security Council reform will play into this equation as well as it prevents Brazil and India from joining the top table of international politics.

If U.S. and Chinese actions will determine the future tune of the international system, Brazil, Russia, and India will play major parts in the orchestra. If they largely support the current international system, America will continue to reap what it has sown over the last half century. If they make a major shift to supporting Chinese positions on international issues then America will have to adjust to the rules of a game it is no longer fully prepared to play. Each of these scenarios is feasible, but reality may fall somewhere in between.

## Favorable Case

Many possible scenarios result in a slower, more stable transition back to bipolarity. First and foremost, China will continue to grow within the U.S.-originated system. China's choices, however, will be affected by the choices of the other Great Powers. The Great Powers' decisions will therefore help guide the range of Chinese policies in the international system.

In this scenario, globalization and the global institutions that support international society deepen. According to Gilpin, these actors will continue to "enter social relations and create social structures in order to advance particular sets of political, economic, or other type of interests."<sup>5</sup> If these social relations break down, then the system itself will suffer and have less of a homogenizing effect on the members of the social structure. This will increase uncertainty in the system's interactions. How much uncertainty can China really live with? As the Party works the narrow margin of development in the face of a demographic decline, stability will prove itself paramount.

In this scenario, China becomes more integrated into the extant international financial system. The yuan, for example, will become the world's second reserve currency. This will likely be because the world's other nations trust that the yuan is a good store of value and that it is being managed in good faith. The Great Powers will be a part of this decision and will express themselves through the market by trading in yuan-denominated securities. China's middle class will demand connectivity to the world's markets. Though China will continue to manufacture vast amounts of goods, many will continue to be designed in the West. As China moves up the value-added chain, it will seek less-developed markets to replace some of its own more expensive capacity.

American-led economic norms will continue to be important, because they are important to the other rising powers. Both India and Brazil will back Western norms on intellectual property, for example. India, a cultural powerhouse, has little to gain from China and African nations stealing the profits of its Bollywood cinema. Further, Brazil would desire to partner with Chinese companies without all of Embraer's design expertise filtering to third-party manufacturers with no additional Brazilian profit.

---

<sup>5</sup> Gilpin, *War and Change in World Politics*, 9.

America would be the beneficiary in both cases. Brazil, Russia, and India will expect that their trade with China occurs on fair terms as it does with the U.S. and EU. When it doesn't, the WTO will remain a viable forum for recourse. More importantly, the systemic shocks will remain limited as major conflicts are prevented via international forums and international norms.

Reviewing Power Transition Theory shows that each actor will “attempt to change the international system if the expected benefits exceed the expected costs.”<sup>6</sup> In this favorable scenario, this includes the avoidance of violence as a method of solving international disputes. Further, Organski posits that a “state will seek to change the international system through territorial, political, and economic expansion until the marginal costs of further change are equal to or greater than the marginal benefits.”<sup>7</sup> Reviewing the state of each of the rising powers shows that the U.S. probably does have an existing advantage in this respect.

From a military power perspective, each of the rising powers will play a role in the global balance of power. China's extant border disputes with India and Russian concerns over Chinese influence in Central Asia seem to prevent their ties from becoming too close in the short term. In fact, India's revamped military will check Chinese dominance in the Indo-Pacific. For the U.S., this means that it will not have to do all the heavy lifting on the international scene. Further, the combined resources of India, Japan, and Australia will handily help America balance Chinese military dominance in the Indo-Pacific. Unilateral declarations of Chinese sovereignty over air and water in the region will seem inappropriate considering the actual balance of power in the region. Freedom of maneuver for trade, dependent on relatively peaceful relations, will benefit all. Brazil's expanded military presence will find a natural outlet in supporting shared American interests.

Russian revisionism will be simultaneously omnidirectional and checked. When power and prestige remain in balance, the international system remains more stable and peaceful. If Russia has little to gain from expansion, costs will rapidly outweigh benefits. Russia will realize that Crimea is the extent of its cost-effective expansion as states shun

---

<sup>6</sup> Gilpin, *War and Change in World Politics*, 10.

<sup>7</sup> Gilpin, *War and Change in World Politics*, 10.

its behavior. Those who draw the American-Iraqi parallel must also consider that amount of international prestige that America lost through foreign intervention. As much as America and the EU have riding on the norms of state sovereignty, China will consider Tibet and Taiwan before international borders start rapidly shifting. In Central Asia, moves similar to those in Crimea will be unacceptable if Chinese resource and business interests remain involved. Realizing that they have more to lose from instability than many nations, Brazil and India will be quick to reinforce it. Explicit and implicit agreements on the necessity of maintaining stability in the international system will shape American and Chinese bipolarity.

If the international economic system is relatively stable and international conflict is restrained, diplomacy will be at the forefront of inter-state relations. American diplomatic prowess will continue to hold sway in shaping international norms and agreements. Its leadership will remain vital to international institutions. The attractions of its culture and educational system will continue to reinforce the Western model of governance and market-based economics. Brazil, Russia, and India will reap the benefits and help reinforce a system that encourages a stable bipolarity.

### **Unfavorable Case**

The other end of the aforementioned dialectic is possible as well. The international norms that enabled Brazilian, Russian, and Indian growth alongside China's rise will fall apart. States will bandwagon with Chinese military power hoping to extend their own influence. Instability would grip the international system as states hoped to restore balance through arms races. Diplomatic norms will commensurately be abrogated. The relative Great Power stability that enabled growth would be over, creating domestic dilemmas as global economic slowdown ensued.

Brazilian, Russian, and Indian growth will not occur in a much less stable economic system. If the American and European economies largely collapsed or globalization severely reversed, much of the capital and expertise that supported world economic growth could dry up. Without their wealth behind them, the rising powers

would place little faith in the international institutions which help stabilize and govern the world economy. China's rising middle class would look outward and see fewer rich Western consumers, reducing their desire to keep peace with Western nations and their allies.

Without economic stability, the rising powers would increasingly perceive the value of their newly enhanced military power. Arms races will be essential to securing international influence. As perceptions of existing and future power relationships become less clear the potential for miscalculation would increase. In this scenario, Brazil, Russia, and India will not risk their forces for the benefit of the international system, saving them for more existential threats. As a premier arms exporter, Russia will likely have more to gain than Brazil and India, though their indigenous industries would probably benefit as well. In a less stable system, the U.S. and Chinese militaries would maintain or enhance their capabilities, but again be less apt to use them to support international crises. Japan, now already slowly remilitarizing, would add to the instability. Brazil, and Japan for that matter, would re-examine their stance on non-proliferation. A Brazilian nuclear program would create a new rift with America. The bipolar system would become more dangerous even if American and China had no new differences. America's allies, however, would draw it into the Indo-Pacific equation.

Brazil, Russia, and India are not working toward creating a bipolar world; they are attempting to make it a multipolar one. In this scenario they will take even more independent positions without international norms to homogenize policy or create cooperative benefits. Any hope of curbing deforestation or protecting global commons will be left to their domestic polities. Resources will be shared and allocated suboptimally, exacerbating existing shortages. Instability will reinforce itself. In this unfavorable case, the U.S., its norms, and its values are sidelined.

The premise of this study does not change, however. The U.S. and China may still rise peacefully, but the international system will be a much less stable one. According to Gilpin, "From the perspective of the rising powers, the perceived costs of changing the international system have declined relative to the potential benefits of doing so."<sup>8</sup> When faced with individual decisions to reinforce the norms of the international system, or to

---

<sup>8</sup> Gilpin, *War and Change in World Politics*, 187.

cheat, or shirk, they will take short-term gains. The effect will be a self-reinforcing global instability. Further, the sharp shift in the global system would increase superpower tension. A rapidly declining (in relation to China) U.S. would be more likely to initiate hegemonic war to maintain its place in the international system.<sup>9</sup>

### **The Butterflies Beat Their Wings**

Both the favorable and unfavorable scenarios work under the assumptions that the remainder of this study's analysis is somewhat accurate. In reality, however, there are countless eventualities which could negate or amplify any of these findings. Barring the proverbial comet which brings all mankind together or nuclear Armageddon which destroys it, many scenarios are feasible. Other factors require additional research or evidence could be weighted differently. This section will highlight some of these areas.

First, Real GDP is not the only measure of economic strength. Further, there are many projections for each of the economies involved in this study. Price Waterhouse Cooper, to take a non-governmental example, uses GDP at Purchasing Power Parity (PPP) as their primary measurement in their study *World in 2050 The BRICs and beyond: prospects, challenges and opportunities*.<sup>10</sup> It projects that China will be the largest economy by 2017 by PPP, but by 2027 at market exchange rates (MER).<sup>11</sup> Very simply, corrected for exchange rates, China's and America's abilities to purchase identical goods in their respective countries will be equal. Equality at PPP does not mean overall equality in the international system, however, as military and diplomatic power measures are included. Both of these are obviously difficult to measure as well.

This study also assumes that the contest in the Indo-Pacific may become more heated, but not to boiling. Resource shortages, including water and oil, may become more acute. Climate change could aggravate the situation. The same logic that says America would try to knock down a rising China before it became too powerful, also

---

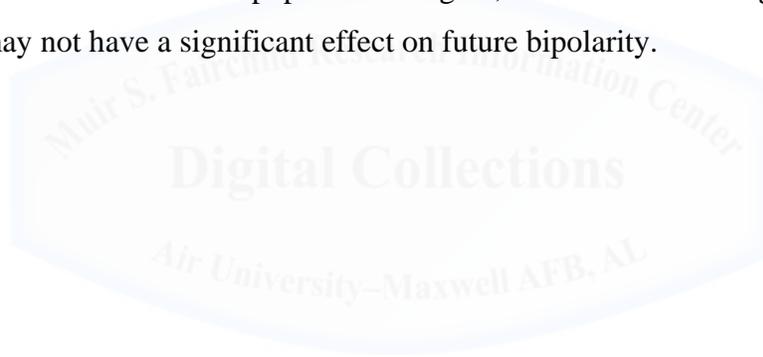
<sup>9</sup> Gilpin, *War and Change in World Politics*, 239.

<sup>10</sup> "World in 2050 - Pwc-World-in-2050-Report-January-2013.pdf," accessed April 7, 2014, [https://www.pwc.com/en\\_GX/gx/world-2050/assets/pwc-world-in-2050-report-january-2013.pdf](https://www.pwc.com/en_GX/gx/world-2050/assets/pwc-world-in-2050-report-january-2013.pdf).

<sup>11</sup> "World in 2050 - Pwc-World-in-2050-Report-January-2013.pdf," 2.

means that China could look to knock down a remilitarizing Japan. A tragic miscalculation could destroy trust between the U.S. and China for an indeterminable period. Pakistan could implode and create huge instability in South Asia. Iran may test a nuclear weapon. It would be impossible to list every perturbation in the international system. If this study helps to raise any of these questions, they are certainly worthwhile.

Domestic politics could also derail any of the rising powers before they actually rise. Brazil, Russia, or India could fail to tackle their corruption problems and their economies could stagnate. Brazilian populism could blame the U.S., and the international system, for any economic woes, damaging the relationship. It could send Brazil firmly into China's camp, though this seems a stretch based on Brazil's penchant for independence. Russia's tendency toward nationalism could drive last decade's economic gains into reverse. In India, a Hindu-chauvinist government could spark internal strife amongst its massive Muslim populations. Again, all are worth contingency planning, but may or may not have a significant effect on future bipolarity.



## Chapter 7

### Conclusion

*War and violence remain serious possibilities as the world moves from the decay of one international system toward the creation of another.*

- Robert Gilpin, *War and Change in World Politics*

### **Why this matters**

It should be no surprise that a study based upon a relatively peaceful future should draw conclusions that would help reinforce stability. This study contends that the stability of the international system depends on the steadiness of the transition from American preeminence to U.S.-Chinese bipolarity. China is likely inclined to value this stability as well, having grown within the structure of the current international system. The rising powers, however, can each have an effect as reinforcing or revisionist powers. These effects are both individually-driven and inextricably linked by the international system. The U.S. then must consider relations with each from both a bilateral and a systemic perspective.

Gilpin concludes his seminal *War and Change in World Politics* with several keen observations. He acknowledges arguments for political and economic coordination on a more global scale, but concludes that “none of them leads to the conclusion that mankind has transcended the fundamental nature of international relations.”<sup>1</sup> He concludes: “The fundamental problem of the international relations in the contemporary world is the problem of peaceful adjustment to the consequences of uneven growth of power among states, just as it was in the past. International society cannot and does not stand still. War and violence remain serious possibilities as the world moves from the decay of one international system toward the creation of another.”<sup>2</sup> This transition then deserves the full attention of U.S. policy and is central to its relations with not only China, but also Brazil, Russia, and India.

---

<sup>1</sup> Gilpin, *War and Change in World Politics*, 230.

<sup>2</sup> Gilpin, *War and Change in World Politics*, 230.

## **Brazil**

Brazil is an important rising power, but less important on the world stage than Russia or India in the run-up to bipolarity. Natural resources, world-leading biodiversity, growing industry, and shared hemispheric stability and security interests make it especially significant to the U.S., however. Structural issues will prevent it from growing too quickly over the short and medium terms. Educational, infrastructure, and social reforms are necessary to overcome these limitations, especially having missed many of the benefits of favorable demographics over the last decades. Governance will need to be improved to reform an overly generous welfare state which provides uneven benefits in a still-developing country. These issues should not obscure Brazil's importance, however.

Brazil is a growing force in the international system. It is particularly significant for its environmental, resource, development, and non-proliferation agendas. It is the leading power in almost every sense in South America. Its economy's focus fits well into a globalizing world, producing vital resources and agricultural products. New-found military capability must find focus, however, as a reforming state will surely look to cut non-essential budgets. Rebuffed diplomatic adventurism in Honduras and the Middle East should lead to a more restrained vision of its global role, however.

America should take several steps to improve the chances that Brazil will be an ally, both in the traditional sense, and in supporting a more stable international system. Foremost, it must rebuild trust. This will only come through increased cooperation in areas of shared interest. Already significant ties in education and working-level economic links must grow. Brazil needs partnership in higher education for a start in order to move up the value-added chain in the world economy. Chinese economic activity will grow, and America should expect this. This is also important to help the Brazilian economy overcome its infrastructure shortages. Giving Brazil its due respect in trade negotiations and especially in international trade organizations is key. Overcoming America's domestic protectionist inclinations can help ensure that Brazil will grow more integrated into the Western international economic system.

America should also look to partner with Brazil in the international arena to regain trust. Working-level military ties and security interests need to be encouraged. Therefore, America should continue to partner with Brazil in Africa and Latin America where they share interests. A Brazilian outlook, with its Southern sensibilities, can carry more clout than a fully-Western America. Counter-terror and counter-narcotics are obvious places for continued trust-building.

America and Brazil have a lot in common, including mutual distrust. A continued lack of deference will result in more Brazilian exceptionalism and anti-yanqui sentiment. Investing in partnerships with a growing Brazil now will pay greater dividends in the future. America is clearly the more powerful actor and must choose to acknowledge Brazil with the prestige it desires.

### **Russia**

Russia should be a waning force in the international system, but it refuses to wane. Its economy has failed to modernize, but is propped up by receipts from natural resource exportation. European reliance on these energy exports gives Russia significant sway in the nations most invested in advancing the Western model of the international system. Military modernization has reenergized its influence in its near abroad, while its nuclear arsenal remains potent. Most significantly, Soviets still run Russia. President Putin and his cohort protect a kleptocracy and exercise power diplomacy.

If it were not for petroleum exports, the Russian economy may have modernized. In fact, in a period of increased economic freedoms, private industry built the apparatus of the extractive industries. Top-down reforms should result in massive reforms in economic transparency in the next few years, greatly enhancing private and foreign investment. These reforms are necessary to overcome stagnant industries and declining demographics. Despite programs for reform, however, recent Russian foreign policy in Ukraine firmly reinforced the uncertainty surrounding any dealings with Russia. Russia, however, still wields significant economic power through its manipulation of energy supplies. This is particularly difficult in the Ukrainian situation where the EU's largest

economy, Germany, relies heavily on Russian supplies. European diversification may reduce this impact in the future though.

Europe, and Russia's other neighbors, also face a revamped Russian military power. In the middle of a major reform program, the military is arrayed to ensure influence in its near abroad. Actions in Georgia and Ukraine enhanced its legitimacy. It is likely that influence in its former Soviet Republic is now also enhanced. Its major modernization program keeps the mostly unreformed defense industry in power, however. Still potent strategic and tactical nuclear forces maintain their deterrent value to existential threats from the U.S. or China. The use of military power and the resulting diminution of state sovereignty both enhance and limit Russia's options in the international system.

Russia exercises diplomacy with a large cache of prestige. Few would doubt that it is willing to privilege the security of its near abroad, its former empire, over maintaining stability in the international system. This message is surely not lost on China, increasingly active in Central Asia. Relations with the West are likely damaged for the near future, barring Russian regime change. Both America and China, conversely, have an interest in stability in Great Power relations. This will see Russia more isolated as the world moves back toward bipolarity.

America identifies Russia as a revisionist power. It must now limit the damage that Russia does to the international system and its institutions. This is very difficult because Russia has the economic, military, and diplomatic power and skills to affect many international issues. It is important to think on multiple timescales when considering this relationship. As the situation in Ukraine is still very fluid, this study will not posit specific outcomes or American responses. More generally though, the U.S. must consider Crimea in the same vein as Taiwan, Tibet, and Kashmir. Consistent international norms will prove more important in the long run. As the U.S. demonstrated during the 1956 Suez Crisis, international actions should be judged on merit, not on who's performing them. This includes U.S. actions.

This does not mean that America needs to be Russia's arch enemy, however. Giving Russia a new Cold War would likely play directly into President Putin's characterization of the system. The ex-Soviet regime maintains their power by continuing

to fight the Cold War by painting the international system as against it. Russian propaganda will perpetuate this idea regardless of U.S. action, but the U.S. could clearly exacerbate it through overly aggressive rhetoric. If the U.S. draws red lines and fails to back them up, then it, and the system it supports, loses legitimacy. Petroleum wealth will keep the Russian regime in power, so the U.S. will have to deal with Putin for the foreseeable future and must play the long game.

Most importantly, America's relationship with Russia cannot be seen as an assault on the values valued by both the Russian and Chinese regimes. Appeals to freedom and democracy, for the Russian people to "throw off the yoke of the ex-Soviet regime", are tempting. In the grander scheme they will be counterproductive, however. In fact, some cooperation, on anti-terrorism for example, can still benefit both states. America is now unable, however, to draw close to Russia. It must focus then on not making the situation worse by pushing China and Russia together.

### **India**

India possesses the capacity to shape the international system over the next several decades. In the run up to bipolarity, it is most important third party. Its favorable demography and quickly developing economy will underwrite its expansion onto the world stage. Part of this expansion is its new role as a military power in the Indo-Pacific. This does not suggest that India will go out of its way to affect the international system, however; India preferences internal development over external relations. It will act, however, to enhance this development and guarantee regional security.

It is also important not to overstate India's power in the short term. It makes up only 2.5 percent of the world's economy (See Appendix). This makes it a quarter of China's and smaller than ninth place Italy. Its population includes 400 million poor—this makes development its first priority. In turn, completing reforms and dismantling newly powerful kleptocratic structures must be the focus of its government. It seems that this will eventually go ahead, because stalled growth will no longer be tolerated by the

burgeoning young middle class.<sup>3</sup> Assuming these reforms move ahead, forecasts predict 6 percent growth through 2030, making it the world's fastest growing economy.<sup>4</sup> Despite this need for development, India has also invested heavily in security in recent years.

As the world's largest arms importer over the last half decade, India is developing capabilities to ensure not only national, but regional security. Border disputes with Pakistan and China persist, compelling India to maintain a large force structure. India has also chosen to operate regionally. With more than one aircraft carrier and nuclear submarines spinning up to readiness, India's Navy is increasingly important to a region spanning from the Persian Gulf to the Straits of Malacca and beyond. Internal problems, including several varieties of extremists, also demand military attention. An increasingly potent and resilient nuclear arsenal enhances its deterrence. Military partnerships with states concerned with China's expanding sphere of influence are coincident with further regional engagement in the Indo-Pacific.

Though India has a small diplomatic force, it is engaging successfully in its region. Economic and military ties are drawing it closer to traditional U.S. allies like Japan and Australia. Engagement with China and Pakistan, however, has smoothed, but neither seems set for a major breakthrough. Further, these strained ties affect the region's ability to come to agreements on energy and water sharing, which may prove crucial in the coming decades. Though India will possess ever more economic and military power to legitimize its diplomacy, it must focus on running a tighter ship before it looks definitively outward.

America and India seem like a great match as Western and Eastern allied poles in the international system. Large democracies, market economies, and shared language, however, do not erase history. Sclerotic American relations and action in the region, especially with India's sworn enemy, will not be forgotten quickly. A rising China, however, provides the U.S. an opportunity to prove itself a better partner this time around. The U.S. must therefore continue to engage economically, but also across the full spectrum of the international system.

---

<sup>3</sup> "We Are Connected," *The Economist*, April 5, 2014, <http://www.economist.com/news/briefing/21600108-rapid-social-change-and-assertive-voters-will-improve-indian-democracy-we-are-connected>.

<sup>4</sup> "Summary."

As the current protector of the world's seas, regional burden sharing also seems feasible. India is increasingly capable of influencing the Indo-Pacific alongside other American allies in the region. India's influence and presence in the region seems much more natural than America's as well. Every opportunity to partner with Indian forces should be considered and included in U.S. planning. With continued growth, India's forces will be able to do much of the heavy lifting in Indo-Pacific regional security while China's forces also expand regionally.

India will increasingly be a vitally important partner in a vitally important region. India is growing within the U.S.-led international system and largely reinforces its values. America should encourage this by reinforcing the system's norms and engaging India within these institutions. Further, Indian development also benefits the millions of poor Indians with an opportunity to escape poverty and eventually find opportunity in the world economy. America must therefore prove itself a reliable Indian ally and partner, titles it has not yet earned.

### **Conclusion**

The international system is in transition. In the coming decade or shortly thereafter, America and China will be the preeminent poles in a new bipolarity. As China grows in the U.S.-led system, it has less inclination to effect drastic change. Though this transition will likely be peaceful, there are no assurances; increased systemic stability is therefore desirable. The rising powers (Brazil, Russia, and India) will each substantially affect this stability. American actions must then reinforce the norms of the international system both bilaterally and more broadly.

Brazil, Russia, and India are not uniform, but all are increasingly important to the future of the international system. Brazil and India are large market-based democracies who must be encouraged to stay as such. This will require more integration and respect-building measures. They will be ever less inclined to tolerate American exceptionalism, and more inclined to enter partnerships which reinforce their aspirations as great powers. Russia's impact, dare I say, must be contained. It is likely that China will feel the same way. America must be careful not to confirm Russian perceptions of the Western

“enemy.” It now depends on this threat to maintain its regressive internal and external policies in lieu of real reform. This is a dangerous tightrope that cannot be avoided. This makes Brazilian and Indian inclusion, amongst other powerful nations, even more important. As America and China move toward bipolarity, America must do all it can to ensure that rising nations have a net stabilizing effect on the international system.



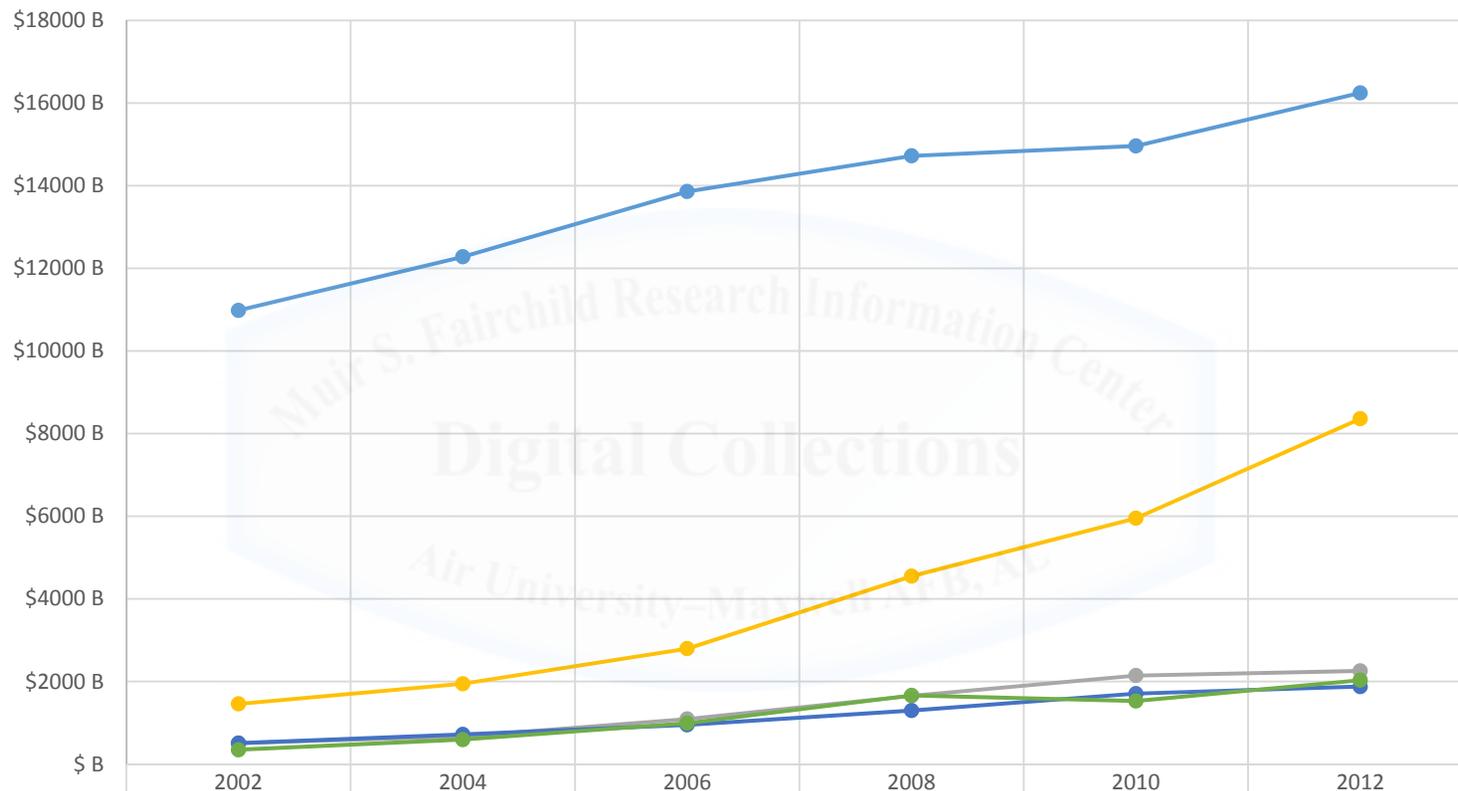
## APPENDIX

Figure 11. Gross Domestic Product Economy Ranking 2012 (millions of U.S. dollars)<sup>1</sup>

Rank	Country	GDP	Percentage of World Economy
1	United States	16,244,600	22.41%
2	China	8,227,103	11.35%
3	Japan	5,961,066	8.22%
4	Germany	3,428,131	4.73%
5	France	2,612,878	3.60%
6	United Kingdom	2,475,782	3.42%
7	Brazil	2,252,664	3.11%
8	Russian Federation	2,014,775	2.78%
9	Italy	2,014,670	2.78%
10	India	1,858,740	2.56%
11	Canada	1,779,635	2.46%
12	Australia	1,532,408	2.11%
13	Spain	1,322,965	1.83%
14	Mexico	1,178,126	1.63%
15	Korea, Rep.	1,129,598	1.56%
16	Indonesia	878,043	1.21%
17	Turkey	789,257	1.09%
18	Netherlands	770,555	1.06%
19	Saudi Arabia	711,050	0.98%
20	Switzerland	631,173	0.87%
21	Iran, Islamic Rep.	552,397	0.76%
22	Sweden	523,942	0.72%
23	Norway	500,030	0.69%
24	Poland	489,795	0.68%
25	Belgium	483,262	0.67%

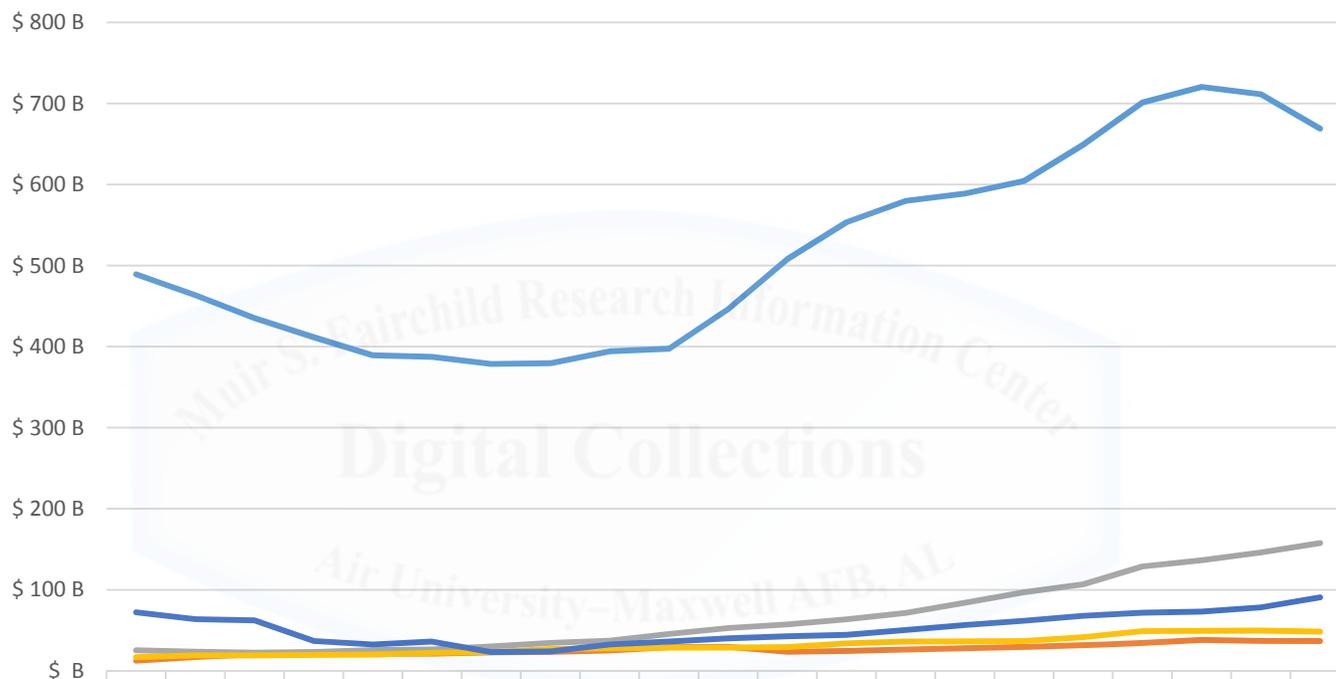
<sup>1</sup> "GDP."

Figure 12. Gross Domestic Product, 2012 USD



<sup>2</sup> “United Nations Statistics Division - National Accounts.”

Figure 13. Military Expenditure

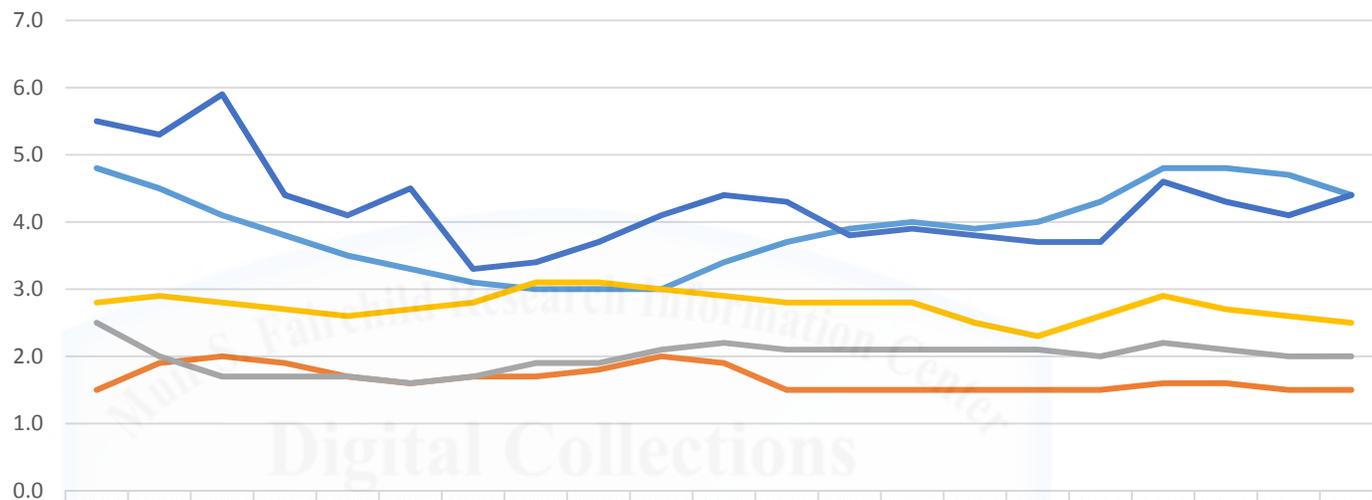


	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
USA	\$ 489	\$ 464	\$ 435	\$ 412	\$ 389	\$ 387	\$ 379	\$ 379	\$ 394	\$ 397	\$ 446	\$ 508	\$ 553	\$ 580	\$ 589	\$ 604	\$ 649	\$ 701	\$ 720	\$ 711	\$ 669
Brazil	\$ 12	\$ 17	\$ 20	\$ 23	\$ 21	\$ 21	\$ 23	\$ 23	\$ 25	\$ 29	\$ 30	\$ 24	\$ 24	\$ 27	\$ 27	\$ 30	\$ 31	\$ 34	\$ 38	\$ 37	\$ 37
China, P. R.	\$ 25	\$ 23	\$ 22	\$ 23	\$ 25	\$ 26	\$ 30	\$ 34	\$ 37	\$ 45	\$ 53	\$ 57	\$ 64	\$ 71	\$ 84	\$ 97	\$ 107	\$ 129	\$ 136	\$ 146	\$ 158
India	\$ 17	\$ 19	\$ 19	\$ 20	\$ 20	\$ 22	\$ 23	\$ 27	\$ 28	\$ 29	\$ 29	\$ 29	\$ 34	\$ 36	\$ 36	\$ 37	\$ 42	\$ 49	\$ 49	\$ 50	\$ 48
Russia/USSR	\$ 72	\$ 64	\$ 62	\$ 37	\$ 33	\$ 36	\$ 23	\$ 24	\$ 33	\$ 36	\$ 40	\$ 43	\$ 44	\$ 51	\$ 56	\$ 62	\$ 68	\$ 72	\$ 73	\$ 78	\$ 91

USA Brazil China, P. R. India Russia/USSR

<sup>3</sup> "SIPRI Military Expenditure Database — SIPRI."

Figure 14. Military Expenditure, Percentage Share of GDP



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
USA	4.8	4.5	4.1	3.8	3.5	3.3	3.1	3.0	3.0	3.0	3.4	3.7	3.9	4.0	3.9	4.0	4.3	4.8	4.8	4.7	4.4
Brazil	1.5	1.9	2.0	1.9	1.7	1.6	1.7	1.7	1.8	2.0	1.9	1.5	1.5	1.5	1.5	1.5	1.5	1.6	1.6	1.5	1.5
China, P. R.	2.5	2.0	1.7	1.7	1.7	1.6	1.7	1.9	1.9	2.1	2.2	2.1	2.1	2.1	2.1	2.1	2.0	2.2	2.1	2.0	2.0
India	2.8	2.9	2.8	2.7	2.6	2.7	2.8	3.1	3.1	3.0	2.9	2.8	2.8	2.8	2.5	2.3	2.6	2.9	2.7	2.6	2.5
Russia/USSR	5.5	5.3	5.9	4.4	4.1	4.5	3.3	3.4	3.7	4.1	4.4	4.3	3.8	3.9	3.8	3.7	3.7	4.6	4.3	4.1	4.4

<sup>4</sup> “SIPRI Military Expenditure Database — SIPRI.”

## Bibliography

- “2013 Annual Report to Congress.” Accessed December 16, 2013.  
[http://www.uscc.gov/Annual\\_Reports/2013-annual-report-congress](http://www.uscc.gov/Annual_Reports/2013-annual-report-congress).
- 29, The author has posted comments on this article TNN | Mar, 2012, and 01 44am Ist.  
“Army Chief’s Letter to PM: General V K Singh Exposes Chinks in Armour.”  
*The Times of India*. Accessed March 27, 2014.  
<http://timesofindia.indiatimes.com/india/Army-chiefs-letter-to-PM-General-V-K-Singh-exposes-chinks-in-armour/articleshow/12447751.cms>.
- “A Bad Boom.” *The Economist*, March 15, 2014.  
<http://www.economist.com/news/briefing/21598967-graft-india-damaging-economy-country-needs-get-serious-about-dealing-it>.
- “A Billion Brains.” *The Economist*, September 29, 2012.  
<http://www.economist.com/node/21563418>.
- “Aim Higher.” *The Economist*, September 29, 2012.  
<http://www.economist.com/node/21563414>.
- Aleksashenko, Sergey. “Russia’s Economic Agenda to 2020.” *International Affairs* 88, no. 1 (January 2012): 31–48. doi:10.1111/j.1468-2346.2012.01055.x.
- “Background - IORA - Indian Ocean Rim Association.” Accessed April 2, 2014.  
<http://www.iora.net/about-us/background.aspx>.
- Beckley, Michael. “China’s Century?” *International Security* 36, no. 3 (Winter 2011): 41–78.
- . “Debating China’s Rise and U.S. Decline.” *International Security* 37, no. 3 (Winter 2012): 177–81.
- Bertonha, João Fábio. “Brazil: An Emerging Military Power? The Problem of the Use of Force in Brazilian International Relations in the 21st Century.” *Brasil: Uma Potência Militar Emergente? O Problema Do Uso Da Força Nas Relações Internacionais Do Brasil No Século 21*. 53, no. 2 (December 2010): 107–24.
- Bhagwati, Jagdish N., and Arvind Panagariya, eds. *India’s Reforms: How They Produced Inclusive Growth*. Studies in Indian Economic Policies. New York: Oxford University Press, 2012.
- “Boeing, Embraer Ink Limited KC-390 Marketing Deal.” Accessed February 25, 2014.  
[http://www.aviationweek.com/Article.aspx?id=/article-xml/awx\\_06\\_18\\_2013\\_p0-589350.xml](http://www.aviationweek.com/Article.aspx?id=/article-xml/awx_06_18_2013_p0-589350.xml).
- “Brazil Picks Sweden’s Gripen Fighter Jet.” *Defense News*. Accessed February 25, 2014.  
<http://www.defensenews.com/article/20131218/DEFREG02/312180027/Brazil-Picks-Sweden-s-Gripen-Fighter-Jet>.
- “Brazil: Staff Report for the 2013 Article IV Consultation.” Accessed February 5, 2014.  
<http://www.imf.org/external/pubs/cat/longres.aspx?sk=40999.0>.
- “Brazilians Learn Lessons from Their First NATO Exercise.” *Aviation Week & Space Technology* 175, no. 14 (April 29, 2013): 14–14.
- Brenton, Sir Tony. “Russia and China: An Axis of Insecurity.” *Asian Affairs* 44, no. 2 (July 2013): 231–49. doi:10.1080/03068374.2013.794549.
- Brown, Lawrence T. “Brazil-U.S. Relations.” *JFQ: Joint Force Quarterly*, no. 69 (Quarter 2013): 42–48.

- Cabestan, Jean-Pierre. "The Shanghai Cooperation Organization, Central Asia, and the Great Powers, an Introduction One Bed, Different Dreams?" *Asian Survey* 53, no. 3 (June 1, 2013): 423–35. doi:10.1525/as.2013.53.3.423.
- "California Poised to Move Up in World Economy Rankings in 2013 - Numbers-July-2013-CA-Economy-Rankings-2012.pdf." Accessed March 10, 2014. <http://www.ccsce.com/PDF/Numbers-July-2013-CA-Economy-Rankings-2012.pdf>.
- Chadda, Maya. "India in 2012: Spiraling Down?" *Asian Survey* 53, no. 1 (February 1, 2013): 47–63. doi:10.1525/as.2013.53.1.47.
- Chey, Hyoung-kyu. "Can the Renminbi Rise as a Global Currency? The Political Economy of Currency Internationalization." *Asian Survey* 53, no. 2 (April 1, 2013): 348–68. doi:10.1525/as.2013.53.2.348.
- "China | Data." Accessed December 14, 2013. <http://data.worldbank.org/country/china>.
- "China Builds up Strategic Sea Lanes - Washington Times." Accessed May 1, 2014. <http://www.washingtontimes.com/news/2005/jan/17/20050117-115550-1929r/>.
- "Concrete Jungles." *The Economist*, September 29, 2012. <http://www.economist.com/node/21563412>.
- "Conscious Uncoupling." *The Economist*, April 5, 2014. <http://www.economist.com/news/briefing/21600111-reducing-europes-dependence-russian-gas-possible-but-it-will-take-time-money-and-sustained>.
- "CSTO." Accessed January 13, 2014. [http://www.odkb.gov.ru/start/index\\_aengl.htm](http://www.odkb.gov.ru/start/index_aengl.htm).
- Department Of State. The Office of Electronic Information, Bureau of Public Affairs. "Remarks from the Signing Ceremonies Between the U.S., Brazil, and Guinea-Bissau and the U.S. and Brazil," March 30, 2007. <http://2001-2009.state.gov/secretary/rm/2007/mar/82507.htm>.
- Department Of State. The Office of Website Management, Bureau of Public Affairs. "Brazil." Press Release|Fact Sheet. *U.S. Department of State*, October 3, 2013. <http://www.state.gov/r/pa/ei/bgn/35640.htm>.
- . "India." Press Release|Fact Sheet. *U.S. Department of State*, December 21, 2012. <http://www.state.gov/r/pa/ei/bgn/3454.htm>.
- . "Russia." Press Release|Fact Sheet. *U.S. Department of State*, December 14, 2012. <http://www.state.gov/r/pa/ei/bgn/3183.htm>.
- Dicken, Peter. *Global Shift: Mapping the Changing Contours of the World Economy*. 6th ed. New York: Guilford Press, 2011.
- "Eastern Promise." *The Economist*, October 26, 2013. <http://www.economist.com/news/asia/21588367-manmohan-singhs-foreign-policy-undercut-domestic-weakness-eastern-promise>.
- "Express or Stopping?" *The Economist*, September 29, 2012. <http://www.economist.com/node/21563420>.
- Facon, Isabelle. "Moscow's Global Foreign and Security Strategy Does the Shanghai Cooperation Organization Meet Russian Interests?" *Asian Survey* 53, no. 3 (June 1, 2013): 461–83. doi:10.1525/as.2013.53.3.461.
- "Farewell Press Conference by Outgoing CNS : CNS Speeches : Indian Navy." Accessed March 27, 2014. <http://www.indiannavy.nic.in/cns-speeches/farewell-press-conference-outgoing-cns>.

- “Five Priorities for Brazil’s Economy | McKinsey & Company.” Accessed February 5, 2014.  
[http://www.mckinsey.com/insights/south\\_america/five\\_priorities\\_for\\_brazil](http://www.mckinsey.com/insights/south_america/five_priorities_for_brazil).
- Friedberg, Aaron L. *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia*. 1st ed. New York: W. W. Norton & Co, 2011.
- “Future Of The Dollar As World Reserve Currency.” *Forbes*. Accessed December 14, 2013. <http://www.forbes.com/sites/billconerly/2013/10/25/future-of-the-dollar-as-world-reserve-currency/>.
- “Galle Dialogue-2013 ‘Emerging Maritime Interests in Asia Pacific - an Indian Perspective’, Sri Lanka : CNS Speeches : Indian Navy.” Accessed March 26, 2014. <http://www.indiannavy.nic.in/cns-speeches/galle-dialogue-2013-emerging-maritime-interests-asia-pacific-indian-perspective-sri-lan>.
- “GDP.pdf.” Accessed January 15, 2014.  
<http://databank.worldbank.org/data/download/GDP.pdf>.
- Gilpin, Robert. *War and Change in World Politics*. Cambridge; New York: Cambridge University Press, 1981.
- “Global Website - Airbus Military A330 MRTT Selected by Indian Government.” Accessed March 27, 2014. [http://www.airbus-group.com/airbusgroup/int/en/news/press.20130111\\_airbus\\_military\\_india\\_a330\\_mrtt.html](http://www.airbus-group.com/airbusgroup/int/en/news/press.20130111_airbus_military_india_a330_mrtt.html).
- Hall, Ian. “India’s New Public Diplomacy: Soft Power and the Limits of Government Action.” *Asian Survey* 52, no. 6 (December 1, 2012): 1089–1110.  
doi:10.1525/as.2012.52.6.1089.
- Heim, Michael. *Exploring Indiana Highways: Trip Trivia*. Wabasha, Minn.: T.O.N.E. Pub., 2007.
- “High Stakes.” *The Economist*, April 30, 2013.  
<http://www.economist.com/blogs/banyan/2013/04/india-and-china-square>.
- Hurrell, Andrew. “Hegemony, Liberalism and Global Order: What Space for Would-Be Great Powers?” *International Affairs (Royal Institute of International Affairs 1944-)* 82, no. 1 (January 1, 2006): 1–19.
- IHS Jane’s. *IHS Jane’s Sentinel Country Risk Assessments South America 2013*, 2013.  
———. *IHS Jane’s Sentinel Country Risk Assessments South Asia 2012*, 2012.
- “India Launches Long-Range Missile.” *BBC News*. Accessed March 26, 2014.  
<http://www.bbc.co.uk/news/world-asia-india-17765653>.
- “India Overview.” Accessed March 1, 2014.  
<http://www.worldbank.org/en/country/india/overview>.
- “India Seals Rafale Jet Deal with French Firm | The Indian Express.” Accessed March 4, 2014. <http://indianexpress.com/article/india/india-others/india-seals-rafale-jet-deal-with-french-firm/>.
- “India Shows Who’s Boss.” *The Economist*, January 10, 2014.  
<http://www.economist.com/blogs/banyan/2014/01/america-and-india-odds>.
- “Indian Diplomacy (IndianDiplomacy) on Twitter.” Accessed March 28, 2014.  
<https://twitter.com/IndianDiplomacy>.
- Indian Foreign Policy in a Unipolar World*. War and International Politics in South Asia. New Delhi: Routledge, 2009.

- Itzkowitz Shiffrinson, Joshua R. "Debating China's Rise and U.S. Decline." *International Security* 37, no. 3 (Winter 2012): 172–77.
- Kaplan, Robert D. *Monsoon: The Indian Ocean and the Future of American Power*. Random House trade pbk. ed. New York: Random House Trade Paperbacks, 2011.
- Keohane, Robert O. *After Hegemony: Cooperation and Discord in the World Political Economy*. 1st Princeton classic ed. A Princeton Classic Edition. Princeton, N.J: Princeton University Press, 2005.
- Kim, Woosang, and James D. Morrow. "When Do Power Shifts Lead to War?" *American Journal of Political Science* 36, no. 4 (November 1, 1992): 896–922. doi:10.2307/2111353.
- Kuchins, Andrew, and Igor Zevelev. "Russian Foreign Policy: Continuity in Change." *The Washington Quarterly* 35:1, no. Winter 2012 (2012): 147–61.
- Kupchan, Charles. *No One's World: The West, the Rising Rest, and the Coming Global Turn*. New York: Oxford University Press, 2012.
- "Launching Ceremony of Indigenous Aircraft Carrier 1, Kochi : CNS Speeches : Indian Navy." Accessed March 26, 2014. <http://www.indiannavy.nic.in/cns-speeches/launching-ceremony-indigenous-aircraft-carrier-1-kochi>.
- Lo, Bobo. *Axis of Convenience: Moscow, Beijing, and the New Geopolitics*. Washington, D.C: Brookings Institution Press, 2008.
- Luigi R. Einaudi. "Brazil and the United States: The Need for Strategic Engagement." *Strategic Forum National Defense University*, no. 266 (March 2011): 1–16.
- "Malabar 2013 Kicks Off." Accessed March 28, 2014. [http://www.navy.mil/submit/display.asp?story\\_id=77445](http://www.navy.mil/submit/display.asp?story_id=77445).
- Mallaby, Sebastian, and Olin Wethington. "The Future of the Yuan." *Foreign Affairs*, no. January/February (February 2012). <http://www.foreignaffairs.com/articles/136778/sebastian-mallaby-and-olin-wethington/the-future-of-the-yuan>.
- "Ministry of External Affairs, India." *Facebook*. Accessed March 28, 2014. <https://www.facebook.com/MEAINDIA>.
- "Much in Common." Accessed February 5, 2014. <http://www.ciaonet.org.au/fric.idm.oclc.org/journals/aq/aq1054/05.html>.
- Mumbai, Joe Leahy in, and Kathrin Hille in Beijing. "India Bans Chinese Telecoms Imports." *Financial Times*, April 29, 2010. <http://www.ft.com/intl/cms/s/0/6e5f923a-53b8-11df-aba0-00144feab49a.html#axzz2wQD0rOOu>.
- "No Frills." *The Economist*, September 29, 2012. <http://www.economist.com/node/21563415>.
- "Objectives of the Russian Federation Armed Forces : Ministry of Defence of the Russian Federation." Accessed January 28, 2014. <http://eng.mil.ru/en/mission/tasks.htm>.
- Organski, A. F. K. *The War Ledger*. Chicago: University of Chicago Press, 1980.
- Oxenstierna, Susanne, and Fredrik Westerlund. "Ams Procurement and the Russian Defense Industry: Challenges Up to 2020." *The Journal of Slavic Military Studies* 26:1 (2013): 1–24.
- Pei, Minxin. *China's Trapped Transition: The Limits of Developmental Autocracy*. Cambridge, Mass: Harvard University Press, 2006.

- Perlo-Freeman, Sam, Elisabeth Skons, Carina Solmirano, and Helen Wilandh. "TRENDS IN WORLD MILITARY EXPENDITURE, 2012, SIPRI Factsheet." SIPRI, Stockholm International Peace Research Institute, April 2013.  
<http://books.sipri.org/files/FS/SIPRIFS1304.pdf>.
- Pew Research Center. "Strengthen Ties with China, But Get Tough on Trade." *Pew Research Center*. Accessed December 14, 2013.  
<http://www.pewresearch.org/2011/01/12/strengthen-ties-with-china-but-get-tough-on-trade/>.
- "Power Shifts." *The Economist*, September 29, 2012.  
<http://www.economist.com/node/21563423>.
- Power, Timothy J., and Matthew MacLeod Taylor, eds. *Corruption and Democracy in Brazil: The Struggle for Accountability*. From the Helen Kellogg Institute for International Studies. Notre Dame, Ind: University of Notre Dame Press, 2011.
- Prakash, Arun. "Rise of the East: The Maritime Dimension." *Maritime Affairs: Journal of the National Maritime Foundation of India* 7, no. 2 (December 2011): 1–13.  
 doi:10.1080/09733159.2011.648727.
- "President of Russia." Accessed January 14, 2014. <http://eng.kremlin.ru/transcripts/6023>.
- "Recent Trends in Arms Transfers — Www.sipri.org." Page. Accessed January 27, 2014.  
<http://www.sipri.org/research/armaments/transfers/measuring/recent-trends-in-arms-transfers>.
- "Reverse the Curse: Maximizing the Potential of Resource-Driven Economies | McKinsey & Company." Accessed February 5, 2014.  
[http://www.mckinsey.com/insights/energy\\_resources\\_materials/reverse\\_the\\_curse\\_maximizing\\_the\\_potential\\_of\\_resource\\_driven\\_economies](http://www.mckinsey.com/insights/energy_resources_materials/reverse_the_curse_maximizing_the_potential_of_resource_driven_economies).
- Riedel, Bruce O. *Avoiding Armageddon: America, India, and Pakistan to the Brink and Back*. Brookings Focus Books. Washington, D.C: Brookings Institution Press, 2013.
- Romero, Simon. "Brazil's Leader Postpones State Visit to Washington Over Spying." *The New York Times*, September 17, 2013, sec. World / Americas.  
<http://www.nytimes.com/2013/09/18/world/americas/brazils-leader-postpones-state-visit-to-us.html>.
- "Russia Economy, Politics and GDP Growth Summary." Accessed April 7, 2014.  
<http://country.eiu.com/russia>.
- "Russian Federation: 2012 Article IV Consultation; IMF Country Report No. 12/217; July 11, 2012 - cr12217.pdf." Accessed January 22, 2014.  
<http://www.imf.org/external/pubs/ft/scr/2012/cr12217.pdf>.
- "Russian Federation—Concluding Statement- 2013 Article IV Consultation Mission." Accessed January 22, 2014. <http://www.imf.org/external/np/ms/2013/061713.htm>.
- Schelling, Thomas C. *Arms and Influence*. New Haven, CT: Yale University Press, 2008.
- Sharma, Ruchir. *Breakout Nations: In Pursuit of the next Economic Miracles*. 1st ed. New York: W.W. Norton & Co, 2012.
- Sidhartha. "Spending on Subsidies Surged, Education and Health Lagged during 10 Years of UPA." *The Times of India*. Accessed March 15, 2014.  
<http://timesofindia.indiatimes.com/india/Spending-on-subsidies-surged-education-and-health-lagged-during-10-years-of-UPA/articleshow/30531251.cms>.

- “SIPRI Military Expenditure Database — SIPRI.” Accessed January 29, 2014.  
<http://milexdata.sipri.org/files/?file=SIPRI+milex+data+1988-2012+v2.xlsx>.
- Slavin, Erik. “Japan Looks to Join India, US in Naval Exercise.” *Stars and Stripes*.  
 Accessed March 28, 2014. <http://www.stripes.com/news/pacific/japan-looks-to-join-india-us-in-naval-exercise-1.261788#.UzWr2YUmxEI>.
- “South Americans in Glasshouses.” *The Economist*, July 22, 2013.  
<http://www.economist.com/blogs/americasview/2013/07/latin-america-and-edward-snowden>.
- Sovacool, Benjamin K., and Vlado Vivoda. “A Comparison of Chinese, Indian, and Japanese Perceptions of Energy Security.” *Asian Survey* 52, no. 5 (October 1, 2012): 949–69. doi:10.1525/as.2012.52.5.949.
- “Special Report: Brazil.” *The Economist*, September 28, 2013.  
<http://www.economist.com/news/special-report/21586667-having-come-tantalisingly-close-taking-brazil-has-stalled-helen-joyce-explains>.
- “Summary.” Accessed February 20, 2014.  
<http://country.eiu.com/article.aspx?articleid=430880227&Country=Brazil&topic=Economy&subtopic=Long-term+outlook&subsubtopic=Summary>.
- “Summary.” Accessed March 1, 2014.  
<http://country.eiu.com/article.aspx?articleid=610909645&Country=India&topic=Economy&subtopic=Long-term+outlook&subsubtopic=Summary>.
- “Surface Ships : Naval Fleet : Indian Navy.” Accessed March 26, 2014.  
<http://www.indiannavy.nic.in/naval-fleet/ships?page=0,1>.
- Surveyors, Royal Institution of Chartered. “Real Estate and Construction Professionals in India by 2020.” Accessed March 15, 2014.  
<http://www.rics.org/us/knowledge/research/research-reports/real-estate-and-construction-professionals-in-india-by-2020/>.
- The Federation of Indian Chambers of Commerce and Industry, and (FICCI). “FICCI Chief Presents Economic Action Agenda to PM’s Economic Advisory Council Chairman.” *Policy Recommendations*, July 19, 2012.  
<http://www.ficci.com/policy-recommendations.asp#>.
- “The New Age of Crony Capitalism.” *The Economist*, March 15, 2014.  
<http://www.economist.com/news/leaders/21598996-political-connections-have-made-many-people-hugely-rich-recent-years-crony-capitalism-may>.
- “The Shanghai Cooperation Organization.” *Council on Foreign Relations*. Accessed January 9, 2014. <http://www.cfr.org/china/shanghai-cooperation-organization/p10883>.
- “The Sinking Feeling over Indian Navy.” Accessed March 28, 2014.  
<http://www.aljazeera.com/indepth/opinion/2014/03/sinking-feeling-over-indian-navy-20143665414242983.html>.
- “The World Bank DataBank - Create Widgets or Advanced Reports and Share.” Accessed December 14, 2013.  
<http://databank.worldbank.org/data/views/reports/tableview.aspx#>.
- Thomaz Guedes da Costa. “Grand Strategy for Assertiveness: International Security and U.S.-Brazil Relations.” *Challenges to Security in the Hemisphere Task Force*, March 24, 2010.

- [https://umshare.miami.edu/web/wda/hemisphericpolicy/Task\\_Force\\_Papers/Costa-Grand\\_Strategy\\_for\\_Assertiveness.pdf](https://umshare.miami.edu/web/wda/hemisphericpolicy/Task_Force_Papers/Costa-Grand_Strategy_for_Assertiveness.pdf).
- Thucydides, Robert B Strassler, and Crawley. *The Landmark Thucydides: A Comprehensive Guide to the Peloponnesian War*. New York: Simon & Schuster, 1998.
- “Top 5 Exporters - Main Buyers and Types of Arms.png (PNG Image, 1169 × 826 Pixels) - Scaled (72%).” Accessed January 29, 2014.  
<http://www.sipri.org/research/armaments/transfers/measuring/at-images/Top%205%20exporters%20-%20main%20buyers%20and%20types%20of%20arms.png>.
- “Trade Profiles.” Accessed March 19, 2014.  
<http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Country=IN&Language=F>.
- “Unasur.” Accessed February 27, 2014. <http://www.unasursg.org/inicio/centro-de-noticias/archivo-de-noticias/unasur-approb%C3%B3-la-creaci%C3%B3n-de-la-primera-escuela-suramericana-de-defensa-de-la-regi%C3%B3n>.
- “UNICEF India - Water, Environment and Sanitation - Water, Environment and Sanitation.” Accessed March 18, 2014. <http://www.unicef.org/india/wes.html>.
- “United Nations Office for South-South Cooperation - What Is SSC?” Accessed April 30, 2014. [http://ssc.undp.org/content/ssc/about/what\\_is\\_ssc.html](http://ssc.undp.org/content/ssc/about/what_is_ssc.html).
- “United Nations Statistics Division - National Accounts.” Accessed January 22, 2014.  
<http://unstats.un.org/unsd/snaama/resQuery.asp>.
- “United States | Data.” Accessed December 14, 2013.  
<http://data.worldbank.org/country/united-states>.
- VN, Sreeja. “India Cuts Education Budget By 6%.” *International Business Times*, November 28, 2013. <http://www.ibtimes.com/cash-strapped-indian-government-slashes-its-education-budget-6-meet-fiscal-deficit-target-1489066>.
- Von Clausewitz, Carl, Michael Howard, and Peter Paret. *On War*. Princeton: Princeton University Press, 2011. <http://site.ebrary.com/id/10578581>.
- Waltz, Kenneth N. *Theory of International Politics*. Long Grove, Ill.: Waveland Press, 2010.
- “We Are Connected.” *The Economist*, April 5, 2014.  
<http://www.economist.com/news/briefing/21600108-rapid-social-change-and-assertive-voters-will-improve-indian-democracy-we-are-connected>.
- Westerlund, Fredrik. “2013 Russian Military Capability in A Ten-Year Perspective.” Accessed January 28, 2014.  
[http://www.academia.edu/5407818/2013\\_Russian\\_Military\\_Capability\\_in\\_A\\_Ten-Year\\_Perspective](http://www.academia.edu/5407818/2013_Russian_Military_Capability_in_A_Ten-Year_Perspective).
- World Bank, and International Finance Corporation. *Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises*. Doing Business 2013. Washington, D. C: World Bank : International Finance Corporation, 2013.
- “World in 2050 - Pwc-World-in-2050-Report-January-2013.pdf.” Accessed April 7, 2014. [https://www.pwc.com/en\\_GX/gx/world-2050/assets/pwc-world-in-2050-report-january-2013.pdf](https://www.pwc.com/en_GX/gx/world-2050/assets/pwc-world-in-2050-report-january-2013.pdf).
- “Www.eurasian-Ec.com - EurAsEC.” Accessed January 28, 2014. [http://www.eurasian-ec.com/index.php?option=com\\_content&task=view&id=2&Itemid=7](http://www.eurasian-ec.com/index.php?option=com_content&task=view&id=2&Itemid=7).